Managing Human Elements at Work

DMGT106

LOVELY PROFESSIONAL UNIVERSITY

MANAGING HUMAN ELEMENTS AT WORK

CONTENTS

SYLLABUS

Managing Human Elements at Work

Objectives: To make the students aware about the importance of managing human resources effectively and the need for their development along with the development of the organization.

S. No.	Description
1.	Introduction to Human Resource Management: HRM Policies and their relationship with other fields. E – Human Resource Management.
2.	Job designing, Recruitment, Selection, Induction and Placement.
3.	Training and Development: Training process, methods and evaluating the training effort.
4.	Appraising and evaluating people in the organisation.
5.	Compensation and Rewards.
6.	Industrial Relations.
7.	Improving Communication and Managing Conflict, The Dynamics of Change.
8.	Importance of Small Groups and Informal Organizations.
9.	Individuals and Self Management, Handling Stress at workplace.
10.	Motivating and Morale Boosting, Leading, Job Satisfaction and Quality of Work Life.

Unit 1: Human Resource Management: An Introduction

Objectives

After studying this unit, you will be able to:

- Explain the concept of Human Resource Management (HRM)

- Discuss the importance of HRM

- Explain the HRM Policies and their relationship with other fields

- Describe the various Functions of HRM

- Explain the Systems Approach to HRM

- Discuss the HRM Challenges

Introduction

Human Resource Management (HRM) is concerned with the 'PEOPLE' dimension in management. HRM is a term increasingly used to refer to the philosophy, policies, procedures and practices relating to management of people within organizations. Since, every organization is made up of people, acquiring their services, developing their skills, motivating them to higher levels of performance and ensuring that they continue to maintain their commitment to the organization are essential to achieving organizational objectives. HRM, thus, creates organizations and make them survive and prosper. The purpose of this unit is to enable the students to comprehend basic expressions. At the end of this unit, you should be able to understand the meaning, scope, importance, functions, policies and challenges of HRM along with the systems approach to HRM.

1.1 Concept of Human Resource Management (HRM)

Human Resource Management is a way of management that links people-related activities to the strategy of a business or organisation. HRM means to select, develop, motivate and maintain human resources, in the organisation. It first selects the right human resources or staff (i.e. managers and employees). It trains and develops them. It motivates them by giving them recognition and rewards. It also provides them with the best working conditions. That is, it manages people at work.

Human Resource Management is a relatively new approach to managing people in any organisation. People are considered the key resource in this approach. It is concerned with the people dimension in management of an organisation. Since an organisation is a body of people, their acquisition, development of skills, motivation for higher levels of attainments, as well as ensuring maintenance of their level of commitment are all significant activities. These activities fall in the domain of HRM. Human Resource Management is a process, which consists of four main activities, namely, acquisition, development, motivation, as well as maintenance of human resources.

Human Resources (HR) serves as a partner to departments within the organization to provide advice, support, and recommendations to effectively utilize and manage the City's most valuable asset – its people! Our strategic role is to provide an avenue by which managers can attract and retain quality employees. This includes compensation and classification, benefits administration, employee wellness, recruiting and retention, training and development, and recommending short-term and long-term human resource management.

Figure 1.1: Human Resources Role

Source: http://www.ci.desoto.tx.us/index.aspx?nid=18

Human Resource Management is the branch of management which is responsible on a staff basis for concentrating on those aspects of operations which are primarily concerned with the relationship of management to employees and employees to employees and with the development of the individual and the group. Human Resource Management is responsible for maintaining good human relations in the organisation. It is also concerned with development of individuals and achieving integration of goals of the organisation and those of the individuals. Northcott considers human resource management as an extension of general management, that of prompting and stimulating every employee to make his fullest contribution to the purpose of a business. Human resource management is not something that could be separated from the basic managerial function. It is a major component of the broader managerial function.

French Wendell defines Human resource management as the recruitment, selection, development, utilisation, compensation and motivation of human resources by the organisation. According to Edwin B. Flippo, Human resource management is the planning, organising, directing and controlling of the procurement, development, resources to the end that individual and societal objectives are accomplished. This definition reveals that human resource (HR) management is that aspect of management, which deals with the planning, organising, directing and controlling the personnel functions of the enterprise.

1.1.1 Evolution of the Concept of HRM

The early part of the century saw a concern for improved efficiency through careful design of work. During the middle part of the century emphasis shifted to the availability of managerial personnel and employee productivity. Recent decades have focused on the demand for technical personnel, responses to new legislation and governmental regulations, increased concern for the quality of working life, total quality management and a renewed emphasis on productivity. Let us look into these trends more closely by examining the transformation of personnel function from one stage to another in a chronological sequence:

Table 1.1: Evolution of the Concept of HRM

Concept	What is it all about?
The Commodity concept	Labour was regarded as a commodity to be bought and sold. Wages were based on demand and supply. Government did very little to protect workers.
The Factor of Production concept	Labour is like any other factor of production, viz., money, materials, land, etc. Workers are like machine tools.
The Goodwill concept	Welfare measures like safety, first aid, lunch room, rest room will have a positive impact on workers' productivity
The Paternalistic concept/ Paternalism	Management must assume a fatherly and protective attitude towards employees. Paternalism does not mean merely providing benefits but it means satisfying various needs of the employees as parents meet the requirements of the children.
The Humanitarian concept	To improve productivity, physical, social and psychological needs of workers must be met. As Mayo and others stated, money is less a factor in determining output, than group standards, group incentives and security. The organisation is a social system that has both economic and social dimensions.
The Human Resource concept	Employees are the most valuable assets of an organisation. There should be a conscious effort to realise organisational goals by satisfying needs and aspirations of employees.
The Emerging concept	Employees should be accepted as partners in the progress of a company. They should have a feeling that the organisation is their own. To this end, managers must offer better quality of working life and offer opportunities to people to exploit their potential fully. The focus should be on Human Resource Development.

1.1.2 Nature of HRM

Human Resource Management is a process of bringing people and organisations together so that the goals of each one are met. It tries to secure the best from people by winning their wholehearted cooperation. It is the art of procuring, developing and maintaining competent workforce to achieve the goals of an organisation in an effective and efficient manner. It has the following features:

1. *Pervasive force:* HRM is pervasive in nature. It is present in all enterprises. It permeates all levels of management in an organisation. All managers, in fact, are human resource managers.

Example: At Infosys every manager is expected to pay attention to the development and satisfaction of subordinates.

2. *Action oriented:* HRM focuses attention on action, rather than on record keeping, written procedures or rules. The problems of employees at work are solved through employee-friendly policies aimed at eliminating tension-points, resolving controversies, securing cooperation—with a clear intent to move closer to the hearts of people.

3. *Individually oriented:* It tries to help employees develop their potential fully. It encourages them to give their best to the organisation. Employees are not treated as second class citizens but as valued members of an indispensable team.

Caution Every attempt is made to make them feel important.

4. *People oriented:* HRM is all about people at work, both as individuals and groups. It tries to put people on assigned jobs in order to produce excellent results. The resultant gains are used to reward people and motivate them toward further improvements in productivity. Ultimately, employees should receive satisfaction equal to that of the company.

5. *Future oriented:* Effective HRM prepares people for current as well as future challenges, especially working in an environment characterized by dramatic change. It is firmly believed that employees, not the buildings and machinery, give a company a competitive advantage.

6. *Development oriented:* HRM intends to develop the full potential of employees. The reward structure is tuned to the needs of employees. Training is offered to sharpen and improve their skills. Employees are rotated on various jobs so that they gain experience and exposure.

Caution Every attempt is made to use their talents fully in the service of organisational goals.

7. *Integrating mechanism:* HRM tries to build and maintain cordial relations between people working at various levels in the organisation. In short, it tries to integrate human assets in the best possible manner in the service of an organisation.

8. *Comprehensive function:* HRM is, to some extent, concerned with any organisational decision which has an impact on the workforce or the potential workforce.

Notes The term 'workforce' signifies people working at various levels, including workers, supervisors, middle and top managers. It is concerned with managing people at work. It covers all types of personnel. Personnel work may take different shapes and forms at each level in the organisational hierarchy but the basic objective of achieving organisational effectiveness through effective and efficient utilisation of human resources, remains the same. It is basically a method of developing potentialities of employees so that they get maximum satisfaction out of their work and give their best efforts to the organisation.

9. *Auxiliary service:* HR departments exist to assist and advise the line or operating managers to do their personnel work more effectively. HR manager is a specialist advisor. It is a staff function.

10. *Interdisciplinary function:* HRM is a multi-disciplinary activity, utilizing knowledge and inputs drawn from psychology, sociology, anthropology, economics, etc. To unravel the mystery surrounding the human brain, managers, need to understand and appreciate the contributions of all such 'soft' disciplines.

11. *Continuous function:* According to Terry, HRM is not a one shot deal. It cannot be practiced only one hour each day or one day a week. It requires a constant alertness and awareness of human relations and their importance in every day operations.

1.1.3 Scope of HRM

The scope of HRM is very wide. In fact, no organisational activity is completely removed from humans. Even automatic processes and equipments are designed and implemented by someone! Capable and motivated people can have a profound impact on everything an organisation does. Research in behavioural sciences, new trends in managing knowledge workers and advances in the field of training have expanded the scope of HR function in recent years. The Indian Institute of Personnel Management has specified the scope of HRM thus:

1. *Personnel aspect:* This is concerned with manpower planning, recruitment, selection, placement, transfer, promotion, training and development, lay off and retrenchment, remuneration, incentives, productivity, etc.

2. *Welfare aspect:* It deals with working conditions and amenities such as canteens, creches, rest and lunch rooms, housing, transport, medical assistance, education, health and safety, recreation facilities, etc.

3. *Industrial relations aspect:* This covers union-management relations, joint consultation, collective bargaining, grievance and disciplinary procedures, settlement of disputes, etc.

4. *Acquisition function:* Acquisition function includes human resource planning, recruitment, selection, placement and induction of employees. HRM uses the scientific selection procedure for selecting the right man for the right post. The "right man" is given proper placement and induction.

5. *Performance appraisal:* HRM also conducts a performance appraisal. Performance appraisal is a systematic evaluation of the employees' performance at work. It informs the employees about their strengths and weakness. It also advises them about how to increase their strengths and remove their weaknesses.

6. *Placement function:* HRM also performs the placement function. Placement is done after selection of employees. It means to put the right man in the right place of work. Proper placement gives job satisfaction to the employees, and it increases their efficiency.

7. *Training and development:* HRM also provides training and development to the employees. Training means to increase the knowledge and skills of the employee for doing a particular job. Training given to managers is called development. So, training is given to employees while development is given to managers.

8. *Maintenance function:* HRM also performs the maintenance function. That is, protecting and promoting the health and safety of the employees. HRM introduces health and safety measures. It also provides other benefits such as medical aid, provident fund, pension, gratuity, maternity benefits, accident compensation, etc., to the employees.

9. *Quality of Work Life (QWL):* HRM also includes Quality of Work Life. QWL is a technique for improving productivity and quality of work. It involves labour management co-operation, collective bargaining and participative management. QWL provides good working conditions, job security, good pay and other facilities such as flexible working hours, freedom to suggest changes or improvements, etc. QWL creates a sense of belonging. This benefits the organisation as well as the individual employees.

10. *Career development:* HRM also helps the employees in planning and developing their careers. It informs them about future promotions and how to get these promotions. It helps them to grow and develop in the organisation.

1.1.4 Objectives of HRM

Human resource managers need to get the right people into the right place at the right time and then help them maximize their performance and future potential. The principal objectives of HRM may be listed thus:

1. *To help the organisation reach its goals:* HR department, like other departments in an organisation, exists to achieve the goals of the organisation first and if it does not meet this purpose, HR department (or for that matter any other unit) will wither and die.

2. *To employ the skills and abilities of the workforce efficiently:* The primary purpose of HRM is to make people's strengths productive and to benefit customers, stockholders and employees. Keep your employees happy and encourage them to do everything possible to keep customers happy. The results would be truly outstanding—like take the case of Southwest Airlines—delivering outstanding results for over three decades – based on its "employees first and customers next" policy.

3. *To provide the organisation with well-trained and well-motivated employees:* HRM requires that employees be motivated to exert their maximum efforts, that their performance be evaluated properly for results and that they be remunerated on the basis of their contributions to the organisation.

4. *To increase to the fullest the employee's job satisfaction and self-actualization:* It tries to prompt and stimulate every employee to realise his potential. To this end suitable programs have to be designed aimed at improving the quality of work life (QWL).

5. *To develop and maintain a quality of work life:* It makes employment in the organisation a desirable, personal and social, situation. Without improvement in the quality of work life, it is difficult to improve organisational performance.

6. *To communicate HR policies to all employees:* It is the responsibility of HRM to communicate in the fullest possible sense; tapping ideas, opinions and feelings of customers, non-customers, regulators and other external public as well as understanding the views of internal human resources.

7. ***To be ethically and socially responsive to the needs of society:*** HRM must ensure that organisations manage human resource in an ethical and socially responsible manner through ensuring compliance with legal and ethical standards.

Example: **HRD objectives of "Siemens Limited"**

1. Development of employees is the primary task of the company.

2. It is the policy of Siemens to recruit, train, develop and advance employees within the company.

To achieve these objectives, Siemens have laid down their policies as under:

● Recruitment of quality manpower and their retention.

● Recruitment mainly at entry level.

● To introduce and sustain an objective system of evaluation of performance based on result.

● Performance as the sole criterion for increments and promotion.

● Use of training as the strategic factor for competitive advantage.

● To nurture a spirit of entrepreneurship among employees.

● Work in close collaboration for fostering the spirit of openness.

● To ensure transparency in decision-making.

● Self-motivated employees

● Employee commitment

● Commitment of results.

1.1.5 Personnel Management vs Human Resource Management

Contemporary Human Resource Management, as a part and parcel of management function, underscores strategic approach to management in areas of acquisition, motivation, and management of people at work. Human Resource Management derives its origin from the practices of the earlier personnel management, which assisted in the management of people in an organisation setup. Human Resource Management leverages setting up the systems and procedures for ensuring efficiency, controlling and providing equality of opportunities for all working for the organisation.

Human Resource Management differs from Personnel Management (PM) both in scope and orientation. HRM views people as an important source or asset to be used for the benefit of organisations, employees and society. It is emerging as a distinct philosophy of management aiming at policies that promote mutuality-mutual goals, mutual respect, mutual rewards and mutual responsibilities. The belief is that policies of mutuality will elicit commitment, which in turn, will yield both better economic performance and greater Human Resource Development (HRD). Though a distinct philosophy, HRM cannot be treated in isolation. It is being integrated into the overall strategic management of businesses. Further, HRM represents the latest term in the evolution of the subject.

There are several similarities between Human Resource Management and Personnel Management (a) Both models emphasise the importance of integrating personnel/HRM practices with organisational goals. (b) Both models vest Personnel/HRM firmly in line management.

(c) Human Resource Management and Personnel Management both models emphasise the importance of individuals fully developing their abilities for their own personal satisfaction to make their best contribution to organisational success. (d) Both models identify placing the right people into the right jobs as an important means of integrating personnel/HRM practice with organisational goals.

Task Are people always an organisation's most valuable asset? Why or why not?

Caselet   **Putting the 'PERSON' in Personnel**

With a history of more than 80 years in Singapore, OCBC is a bank centred on people. The Bank has come a long way from its first days of helping rice merchants continue to trade times of war. This is evident in its sterling performance in recent years. In May this year, Bloomberg Markets magazine announced OCBC as the world's strongest bank. Also, one in two businesses currently operating in Singapore has an account with the Bank.

The success of the bank is built on the back of sound business policies and active talent management and development.

For instance, within the first three days of a company being incorporated, OCBC will contact them about opening a corporate account with the bank. "The Bank practises the same pro-activity when it comes to managing and developing its people," says Eric Ong, Head of Emerging Business, Global Enterprise Banking, OCBC Bank.

Career Framework

OCBC takes training and development seriously as human capital is the Bank's key differentiator. Investment in this area helps to build the capabilities of employees to deliver superior performance.

"Learning is part of the Bank's ongoing business strategy and helps to create a win-win situation for us and our staff," says Ong. "By aligning employees' learning objectives with business goals, we help employees succeed in building a career and not just a job with OCBC."

OCBC encourages its employees to take charge of their own careers through the Bank's 'Career Best' programme, launched in 2002. This programme involves helping employees evaluate their strengths and career orientation, and finding the best fit between their talents and OCBC's needs.

The Bank also introduced the 'OCBC Learning-3' programme in 2007. A structured three-year development programme for employees, OCBC Learning-3 clearly delineates learning roadmaps for individual employees during their first three years of service with the Bank.

"Underscoring our commitment to training, we have created the OCBC Learning Academy and also dedicated an entire floor at the OCBC Centre, called The Learning Space @ OCBC, for the sole purpose of learning and development," says Ong.

Contd...

In addition to the typical classroom training, the Bank has also tapped on learning technologies like eLearning and virtual classrooms. Through the use of Web 2.0 and video conferencing technology the training programs are now able to reach out to employees in different geographies.

Employees are given the first opportunity to learn of and apply for job-openings within the OCBC group through the Internal Job-Application Programme, in which after 18 to 24 months, an employee has the open to move into another role.

"We want to encourage employees to continually acquire new experiences, knowledge, skills and competencies, and allow individuals to fulfil their career aspirations at different stages of their careers," Ong explains.

This is especially so for Gen Y staff who constantly seek change and want progression – something to look forward to. They need to feel challenged and recognised for the work they do. If they are 'stuck in a rut', performance dips.

"In banking, employees need foundation," says Ong. "I was once a bank teller. I then moved on to typing bank drafts and the like."

Leaders walk the talk too. "In my business review, one part is financial numbers and business initiatives, while a large part (50%-60%) is based on the human resources," says Ong.

Hi-po Attention

A mentor to even people who have left the business, Ong believes in developing his people's potential to the fullest.

"I meet with business heads and see if there are vacancies in which we can slot the high potential candidate in," he says. "This makes sure these people are given opportunities within the bank before they start looking elsewhere for them. It's a proactive measure of staff retention."

Senior management constantly works to push high-potential talent out of their current roles or comfort zones. This exists at all levels, be it ground sales people to middle and senior management level staff.

"We don't want staff to be 'too comfortable' in their roles. They are not stretching their potential," says Ong. "We assign them to other departments for three to six months. My sales folks, for instance, might be posted to risk management or operations."

While there is risk of losing talent to another department due to this job rotation, the advantages outweigh those risks. "After coming back from their short job rotation stint, they come back with fresh insights and they can come up with new business ideas leading to increased productivity and business success," says Ong.

Ong cited an example of an employee who moved to the operations unit two years ago. When he came back to the Emerging Business department, he gave a new idea which was piloted and resulted in business growth of five times.

Hi-potential staff is also given opportunities to travel and explore new markets. Young staff are accompanied by their senior leaders on these trips.

"There has to be a little risk-taking, be it with the business or with our people," says Ong. "Being senior in management, we can give that gentle push, allowing our staff to soar."

> **Communicating with the People**
>
> Transparency is essential in the OCBC's communication strategy. For instance, business leaders in Emerging Business (EmB) track numbers on a daily basis. This is readily shared with members of their respective teams so that if there are anomalies, everyone can work together to immediately pull the numbers back in.
>
> EmB staff are also kept abreast of happenings within the Bank through 'Pulse lunches' during break time, one-to-one sessions with hi-potential talents, monthly key meetings and quarterly dialogues where financial numbers are flashed out. Quick daily discussions keep communication channels free of static.
>
> At 8.30 am every morning, EmB business heads meet for the 'Big 5' session to discuss the top five priorities of the day. "This can include issues they have been facing, lessons learnt from the things they did the previous day and plans for the future," says Ong. "This ensures that everyone is on the same page."
>
> Also, if any business head is facing an issue, putting these heads together solves the matter more efficiently, he adds.
>
> After the 'Big 5' meeting, at 9 am, all 300 EmB staff come into little huddles. As most employees in the unit belong to Gen Y or are new to the banking industry, these huddles accelerate their learning process.
>
> "The huddles are about 15 to 20 minutes long," says Ong. "They can't be too long so that attention is held for an optimum period of time."

Source: http://www.hrmasia.com/case-studies/putting-the-person-in-personnel/144268/

Self Assessment

State whether the following statements are true or false:

1. Human Resource Management is responsible for maintaining good human relations in the organisation.

2. The Humanitarian concept emphasis on Welfare measures.

3. HR manager is a specialist advisor.

1.2 Importance of HRM

Human Resource Management has a place of great importance. According to Peter F. Drucker, the proper or improper use of the different factors of production depends on the wishes of the human resources. Hence, besides other resources human resources need more development. Human resources can increase cooperation but it needs proper and efficient management to guide it. Importance of personnel management is in reality the importance of labour functions of personnel department which are indispensable to the management activity itself. Because of the following reasons human resource management holds a place of importance. Importance of HRM can be discussed at four levels which are as follows:

1. *Importance at Corporate Level:* For an enterprise, effective HRM leads to attainment of its goal efficiently and effectively. HRM helps enterprise in the following ways.

    (a) Hiring required skill set and retaining them through effective human resource planning, recruitment, selection, placement, orientation and promotion policies.

(b) Development of employees by enhancing necessary skills and right attitude among employees through training, development, performance appraisals etc.

(c) HRM also takes care of optimum utilization of available human resource.

(d) HRM also ensures that organization has a competent team and dedicated employees in future.

2. *Importance at Professional Level*

(a) HRM also leads to improved quality of work life; it enables effective team work among employees by providing healthy working environment.

(b) It also contributes to professional growth in various ways such as by providing opportunities for personal development of an employee; and enabling healthy relationships among teams and allocating work properly to employees as well as teams.

3. *Importance at Social Level*

(a) HRM plays important role in the society, it helps labour to live with pride and dignity by providing employment which, in turn, gives them social and psychological satisfaction.

(b) HRM also maintains balance between open jobs and job seekers.

4. *Importance at National Level:* HRM plays a very significant role in the development of nation. Efficient and committed human resource leads to effective exploitation and utilization of nation's natural, physical and financial resources. Skilled and developed human resource ensures the development of that country. If people are underdeveloped then that country will be underdeveloped. Effective HRM enhances economic growth which, in turn, leads to higher standard of living and maximum employment.

Self Assessment

Fill in the blanks:

4. .... plays a very significant role in the development of nation.

5. Effective HRM enhances .... which in turn leads to higher standard of living and maximum employment.

6. HRM also maintains .... between open jobs and job seekers.

1.3 HRM Policies and their Relationship with Other Fields

A policy is a predetermined established guideline towards the attainment of accepted goals and objectives. Such guidelines facilitate properly designed efforts to accomplish the strategic intent. Policies in the management of HR cover a wide variety of subjects. A comprehensive coverage of policies embrace any action or decision, taken by either employees or management in relation to the working environment, the rights and responsibilities of employees and management and the action of both parties. Thus, one policy may be a statement of standards for employee attendance and another statement of management obligations in grievance administration. One policy may explain conditions under which loans will be granted whereas another may indicate conditions under which an employee is subjected to discharge.

Procedures prescribe the details for carrying out policies. They spell out the specific rules and regulations, the steps, time, place, and personnel responsible for implementing policies.

Procedures also clarify what is to be done in particular circumstances. Statements of policy constitute criteria for making decisions. They render decision-making easier, more routine. They permit decisions on problems without detailed analysis and thus facilitate saving of precious time.

Policies provide a clear idea of what management and employees can expect. Therefore, policies promote consistency and fairness of action under conditions that are similar in character and eliminate any bias in employee related decisions. This way, policies help to avoid confusion and misunderstanding. Policies may originate from anywhere inside an organisation or from external sources – the community, state and national legislation, changes in the economy, and even international forces, such as war-time or defence conditions. Internally, policies have their inception in employees' suggestions or complaints, in collective bargaining, and at any level of management – staff or line.

Example: **Human Resource Policy of "TATA STEEL"**

1.   Tata Steel recognizes that its people are the primary source of its competitiveness.

2.   It is committed to equal employment opportunities for attracting the best available talent and ensuring a cosmopolitan workforce.

3.   It will pursue management practices designed to enrich the quality of life of its employees, develop their potential and maximise their productivity.

4.   It will aim at ensuring transparency, fairness and equity in all its dealings with the employees.

5.   Tata Steel will strive continuously to foster a climate of openness, mutual trust and teamwork.

The approval of new or changed HR policies ultimately comes from top management. However, the responsibility for administration rests with the line. An effective HR department recommends policies and policy changes that it considers appropriate for the benefit of the organisation. The HR department also has to assist in communicating policies to those who should know about them. There are many ways of communicating the policies, like; standing orders, house journals, circulars or through a documented policy manuals. HR department interprets policies, exercises control over policy administration and periodically reviews the same in order to ensure fairness and uniformity.

In formulating policies, the first consideration is the objective or purpose. Operationally, it is also necessary to consider the economics (costs) and benefits in relation to the size and complexity of the organisation. Then comes the need for determining the policies acceptability to management and to employees and this depends to a great extent on their administrative feasibility and fairness to employees. Because of an unfortunate tendency to think of policies as formulae that obviate the need for careful thought, it is necessary to anticipate circumstances that may arise subsequently in administration. Imagination is required here, as well as knowledge of operating problems. Supervisors are in a good position to aid in projecting exigencies that can arise under a particular policy.

Did u know? Unions have had a tremendous impact on policy formulation. They seek certain policies; they seek to alter management policies (e.g., in overtime payment); and they cause concerns without unions to change policy as a defence against unions. Some unions' influence on policy administration appears to be beneficial whereas some is harmful to employee relations.

1.3.1 Guidelines for Policy Formulation

A number of guidelines for policy writing have been well established and are worth enumerating.

1. *Purpose:* A statement of purpose or rationale helps to understand the policy and ensures acceptance of it.

2. *Semantics:* Choice of words should be geared to the educational level of the group for whom the policy is intended. Wording should avoid irritating expressions that antagonise, denote inferiority, or cast aspersion, e.g., "You are forbidden."

3. *Tone:* A warm, understanding tone will help to show the interest and concern of management. This means avoidance of legalistic language as much as possible.

4. *Form:* An outline form may be useful for management reference and application. But outlines are difficult for employees to follow, they repel reading, and they are cold and lifeless. Relatively short paragraphs, some use of underlinings, and adequate spacing (double rather than single) – encourage reading.

5. *Clarity:* Short sentences are better than long ones linked together with "whereas", "provided", etc., and simple sentences are easier to read and comprehend than complex or compound sentences.

Example: **Tata Steel's Personnel Policy**

The personnel policy of Tata Steel, as contained in the Statement of Objectives, is given below. The company tries to take care of its employees:

1. by a realistic and generous understanding and acceptance of their needs and rights and by having an enlightened awareness of the social problems of the industry;

2. by providing adequate wages, good working conditions, job security, an effective machinery for redressal of grievances and suitable opportunities for promotion and self-development through in-company and external programs;

3. by treating them as individuals, giving them a sense of self-respect and better understanding of their role in the organisation and satisfying their urge for self-expression through a closer association with the management;

4. by creating a sense of belonging through human and purposeful activities as an integral part of human relations ensuring their willing cooperation and loyalty.

1.3.2 Communicating and Administering the Policies

Management has a definite responsibility to see that employees become familiar with any policies that affect them. Written explanations of changes in policy, reinforced by oral discussion, are minimal for policy communication. All of the written media found in organisations may be used employee hand books, bulletin boards, company periodicals, etc. In orientation sessions for new and old employees, oral explanation can be accompanied by visual aids such as film strips, placards and funnel boards.

Uniformity in administration is desirable when circumstances are similar among the various individuals and groups concerned. Customs amongst various groups, practices that have been in operation for sometime and needs of different groups of employees, etc., influence decisions in regard to degree and extent of uniformity. Also to be weighed the questions of fairness and of employees' attitudes toward concession in specific cases. Long-standing policy differences between office and shop, for example, are under constant fire from unions.

⚠

Caution Questions of rigidity of administration and consistency or flexibility of interpretation must also be faced.

In weighing special consideration to an employee or penalty for a violation, many factors must be taken into account, work record, demonstrated capability, history of relationships, impact on other and on future situations, knowledge at the individual's disposal, past practices, responsibility of management, nature and frequency of the request or act, obligations to the organisation, to the employee and to society, respective values, reasons, ameliorating circumstances, etc.

1.3.3 Relationship with Other Fields

HR policies guide action. Therefore, their relations with the other fields are as follows:

1. *Nature of the Work:* All firms would like to attract, stimulate, and retain the most competent employees and match them to jobs for which they are liable. Managers as well as experts with the respective fields that is Human resources, training, and labour relations give this relationship. Earlier, these workers performed the administrative function of a firm, for example, handling the benefits queries of the employee or recruiting, interviewing, and hiring new personnel in compliance with policies set up by top management. In recent scenario, human resources workers deal with these tasks, but, more and more, they consult with top executives concerning strategic planning. They have moved from behind-the-scenes staff work to the leading the organisation in suggesting as well as modifying policies.

    In an effort to improve productivity and morale, limit job turnover, and facilitate firms to raise their performance and get better outcomes, these workers also assist their firms efficiently use employee skills, give training and development opportunities so as to enhance those skills, and raise the satisfaction of their employees' with their jobs and working conditions. There are many types of human resources, training and labour relations managers and specialists. In small firms, a *human resources generalist* may handle every facets of human resources task, and therefore need a wide range of knowledge. The responsibilities of HR generalists can differ extensively, depending on their employer's requirements. In a large company, the *director of human resources* may supervise numerous departments, each of which is headed by a qualified manager who most likely specializes in one human resources activity, for example, employment and placement, training and development, compensation and benefits, or labour relations. The director may report to a top executive of HR.

2. *Employment and Placement: Managers of Employment* and *placement* manage the recruitment, hiring, as well as separation of workers. They also manage the specialists related to employment, recruitment, and placement, consisting of employment interviewers. Thus, these managers recruit and place employees.

    Recruitment experts sustain contacts within the community and may travel very much, often to college campuses and job fairs, to look for promising job applicants. Recruiters monitor, interview, and infrequently test applicants. They also may make sure the references and even expand employment offers. These employees must be comprehensively familiar with their firm, the task that is done, and the policies of human resources of their firm so as to talk about wages, advancement opportunities and working conditions with potential workers. They also must stay informed about affirmative action guidelines and

laws and Equal Employment Opportunity (EEO), for instance the Americans with Disabilities Act.

Employment interviewers whose several titles of job comprise and *human resources coordinators, human resources development specialists, and human resources consultants* facilitate to match employers with competent job seekers. Likewise, the *representatives of employer relations,* who generally work in college career centers or government agencies, sustain working relations with prospective employers and thus help the use of public employment services and programs

3. ***Compensation, Benefits, and Job Analysis:*** Specialists related to compensation, benefits, and job analysis manage programs concerning compensation for employers and may specialize in definite fields for example position or pensions classifications.

Example: Job Analysts, occasionally called *position classifiers*, collect and examine detailed information about job duties in order to prepare job descriptions. These descriptions explain the duties, training, and skills that each job requires. Whenever a large organization introduces a new job or reviews existing jobs, it calls upon the expert knowledge of job analysts.

Occupational analysts investigate occupational categorization systems and thus study the effects of occupational and industry trends on employee relations. They may also serve as technical connections among departments or firms or, labour unions and government. Hence, establishing and maintaining a company's compensation structure is the principal job of *compensation executives,* assisted by pay specialists or analysts, compensation *executives* create ways to make sure equitable and fair compensation rates. They may take part in or purchase pay surveys to make out how their company's compensation compares with others, and they make sure that the company's compensation scale complies with varying laws and regulations. Additionally, compensation *executives* frequently supervise the compensation side of their firm's performance management system. They may plan reward systems for example pay-for-performance plans, which might comprise setting merit compensation guidelines and incentive or bonus compensation criteria. Compensation *executives* also might administer managers of compensation programs or find out commission rates and other incentives for company sales staffs.

Employee benefits specialists and managers administer a firm's employee benefits program, particularly its retirement and health insurance plans. Expertise in designing, negotiating, and administering benefits programs continues to take on significance as employer-provided benefits account for a rising proportion of overall costs of compensation, and as benefit plans enhance in complexity and number.

Example: Retirement benefits might comprise defined contribution plans, defined benefit pension plans, which is 401(k) or thrift savings plans and stock ownership or profit-sharing plans.

Health benefits may comprise vision, dental and medical insurance along with the protection against catastrophic illness. Awareness with health benefits is the main concern for employee benefits specialists and managers, due to the increasing cost of offering healthcare benefits to workers as well as retirees. Additionally to retirement coverage and health insurance, several organisations give workers life as well as accidental death and disability insurance, dismemberment insurance, and benefits designed to meet the requirements of a varying personnel, for instance, parental leave, wellness programs, home care insurance or long-term nursing along with flexible benefits plans.

Did u know? Benefits managers must keep abreast of changing Federal and State regulations and legislation that may affect employee benefits. Working with employee assistance plan managers or work-life coordinators, many benefits managers work to integrate the growing number of programs that deal with mental and physical health, such as employee assistance, obesity, and smoking cessation, into their health benefits programs.

Employee assistance plan managers, which are also known as work-life managers or employee welfare managers, are liable for a extensive array of programs to improve worker wellness and safety and improve work-life balance. These may comprise occupational safety and health standards and practices, physical fitness and health promotion, medical examinations along with minor health treatment, for example, first aid, food service and recreation activities, flexible work schedules, carpooling and transportation programs for instance transit subsidies, child care and elder care, employee suggestion systems, and services related to counselling. Child care and elder care are more and more important due to increase in the older population and the number of dual-income households. Counselling may assist workers to deal with marital or alcoholism, emotional disorders, family, legal, consumer, and financial difficulties. Some employers give outplacement and career counselling services.

Notes In some firms, certain programs, like those dealing with information technology or physical security, may be synchronized in separate departments by other managers.

Training and development specialists and managers create, obtain, and carry out training and development programs for workers. Typically, managers manage specialists and make budget-impacting decisions in exchange for a concentrated training portfolio. Gradually, executives identify that training gives a way of developing skills, increasing productivity and quality of work, and building employee loyalty. Increasing employee skills can boost organizational and individual performance and assist to attain business outcomes. More and more, executives become conscious that developing the knowledge and skills of its personnel is a business imperative which can provide them a competitive edge in recruiting as well as retaining high quality workforce and can lead to business growth. Other factors concerned in determining whether training is required comprise the intricacy of the rapid pace of organizational and technological change, the work environment, and the increasing number of jobs in fields which continually make new knowledge and, therefore, entail new skills. Also, advances in learning theory have given insights into how people learn as well as how training can be planned in the most effective manner.

Training managers supervise development of training programs, budgets and contracts. They may carry out needs assessments of the types of training required, identify the best ways of delivering training, and make the content. They may give employee training in a computer laboratory, classroom, or onsite production facility, or through Web video-on-demand, a training film, or self-guided or self-paced instructional guides. For in-person or live training, training managers make sure that teaching materials are prepared and the space suitably set, training and instruction stimulate the class, and completion certificates are issued at the end of training. For recorded or computer-assisted training, trainers make sure those microphones, cameras, and other essential technology platforms are operating correctly and that other learning devices or individual computers are configured for training purposes. They also have the duty for the whole learning procedure, and its environment, to make sure that the course meets its goals and is measured and assessed to understand how learning impacts performance.

Training specialists plan, organize, and direct an extensive variety of training activities. Trainers discuss with employee supervisors and training managers to conduct orientation sessions, develop performance improvement measures, and organize on-the-job training for new workers. They assist workers to sustain and improve their job skills and prepare for jobs requiring greater skill. They work with supervisors to deal effectively with employees and to enhance their interpersonal skills. They may establish individualized training plans to reinforce employees' existing skills or instruct new ones. Training specialists also may establish executive or leadership development programs for workers who seek to move up in the firm. These programs are intended to "groom" or develop leaders to replace those leaving the firm and as part of a company succession plan. Trainers also lead programs to help workers with job transitions consequently of consolidation or mergers, and retraining programs to build up new skills which may be the outcome of technological changes in the place of work. In government-supported job-training programs, training specialists serve as case managers and give essential job skills to set up participants to function in the labour force. They evaluate the training requirements of customers and guide them through the most suitable training. After training, customers may either be referred to receive job placement assistance or employer relations representatives. Planning and program development is a vital part of the training job of specialist's. So as to determine and evaluate training requirements, trainers may confer with supervisors and managers or conduct surveys. They also assess training effectiveness to make sure that employees in fact learn and that the training they get assists the firm to meet its strategic objectives and attain results.

An Employee Relation: A firm's *director of industrial relations* develops labour policy, oversees industrial labour relations, coordinates grievance procedures and negotiates collective bargaining agreements, to so as to handle complaints resulting from management conflicts with workers. The director of industrial relations also collaborates and advises with the director of HR, other managers, along with members of their staffs; as every aspect of HR policy, for example, wages, pensions, benefits and work practices may be concerned in drawing up a revised or new work rules which fulfill with a union contract.

Labour relations managers along with their staffs execute programs related to the industrial labour relations. Specialists of Labour relations organize information for management to make use of during collective bargaining agreement negotiations, a procedure which requires the expert to be familiar with economic and wage data and to have wide knowledge of the procedures related to collective bargaining and labour law. The labour relations staffs administers and interprets the contract regarding grievances, employee welfare, wages and salaries, pensions, healthcare, union and management practices, and other contractual stipulations. In the absence of a union, industrial relations employees may work with workers independently or with the representatives of employee association. Dispute resolution attaining contractual or tacit agreements has become more and more important as parties to a dispute attempt to evade strikes, costly litigation, or other disruptions. Dispute resolution also has become more difficult, concerning employees, unions, management, other organisations, and government agencies. Specialists concerned in dispute resolution must be highly experienced and knowledgeable, and frequently report to the director of industrial relations. *Mediator's* counsel and advice labour and management so as to avoid and, when required, resolve disputes over labour agreements or other labour relations issues. *Arbitrators*, rarely known as referees or umpires, decide disputes which bind both management and labour to particular terms and conditions of labour contracts. Labour relations specialists who work for unions carry out several of the similar functions on behalf of the union and its members. The *affirmative action coordinators and EEO representatives and officers* handle equal employment opportunity issues. They examine and resolve EEO grievances, inspect corporate practices for probable violations, and accumulate and submit EEO statistical reports. Other up-and-coming specialties in HR comprise *international human resources managers*, who handle HR related matters concerning to a firm's overseas operations as well as *human resources information system specialists*, who develop as well as apply computer programs to procedure human resources

information, match job seekers with job openings, along with handle other issues related to human resources; and *total compensation* or *total rewards specialists*, who identify a suitable mix of compensation, benefits, and incentives.

Work Environment: Human resources employees generally work in pleasant, clean, and comfortable work environment. Mediators and Arbitrators most of whom work autonomously may work out of home offices. Though most the managers and specialists of human resources, training, and labour relations may carry out their task in the office, and even some travel comprehensively.

Example: Recruiters regularly participate in job fairs, attend professional meetings and visit college campuses in order to take interview of prospective people. Mediators and Arbitrators frequently must travel to the site selected for negotiations. Trainers along with other specialists may travel to international offices or regional, satellite of a firm so as to meet with workers who work outside of the major corporate office. Several managers and specialists in human resources, training, and labour relations work a standard 40-hour week. Though, longer hours might be essential for few employees, like labour relations specialists and managers, mediators and arbitrators when dispute resolutions or contract agreements are being negotiated.

Self Assessment

State whether the following statements are true or false:

7.   Policies prescribe the details for carrying out procedures.

8.   The approval of new or changed HR policies ultimately comes from middle management.

9.   Unions have had a tremendous impact on policy formulation.

1.4 Functions of HRM

The role of human resource management is to plan, develop, and administer policies and programs designed to make expeditious use of an organisation's human resources. It is that part of management which is concerned with the people at work and with their relationship within an enterprise. These four areas and their related functions share the common objective of an adequate number of competent employees with the skills, abilities, knowledge, and experience needed for further organisational goals. Although each human resource function can be assigned to one of the four areas of personnel responsibility, some functions serve a variety of purposes.

Example: Performance appraisal measures serve to stimulate and guide employee development as well as salary administration purposes.

The compensation function facilitates retention of employees and also serves to attract potential employees to the organisation. A brief description of usual human resource functions is given below:

1.   *Human Resource Planning:* In the human resource planning function, the number and type of employees needed to accomplish organisational goals are determined. Research is an important part of this function because planning requires the collection and analysis of information in order to forecast human resources supplies and to predict future human resources needs. The basic human resource planning strategy is staffing and employee development.

2.   *Job Analysis:* Job analysis is the process of describing the nature of a job and specifying the human requirements, such as skills, and experience needed to perform it. The end product

of the job analysis process is the job description. A job description spells out work duties and activities of employees. Job descriptions are a vital source of information to employees, managers, and personnel people because job content has a great influence on personnel programs and practices.

3. *Staffing:* Staffing emphasises the recruitment and selection of the human resources for an organisation. Human resources planning and recruiting precede the actual selection of people for positions in an organisation. Recruiting is the personnel function that attracts qualified applicants to fill job vacancies. In the selection function, the most qualified applicants are selected for hiring from among those attracted to the organisation by the recruiting function. On selection, human resource functionaries are involved in developing and administering methods that enable managers to decide which applicants to select and which to reject for the given jobs.

4. *Orientation:* Orientation is the first step toward helping a new employee adjusts himself to the new job and the employer. It is a method to acquaint new employees with particular aspects of their new job, including pay and benefit programs, working hours, and company rules and expectations.

5. *Training and Development:* The training and development function gives employees the skills and knowledge to perform their jobs effectively. In addition to providing training for new or inexperienced employees, organisations often provide training programs for experienced employees whose jobs are undergoing change. Large organisations often have development programs which prepare employees for higher level responsibilities within the organisation. Training and development programs provide useful means of assuring that employees are capable of performing their jobs at acceptable levels.

6. *Performance Appraisal:* This function monitors employee performance to ensure that it is at acceptable levels. Human resource professionals are usually responsible for developing and administering performance appraisal systems, although the actual appraisal of employee performance is the responsibility of supervisors and managers. Besides providing a basis for pay, promotion, and disciplinary action, performance appraisal information is essential for employee development since knowledge of results (feedback) is necessary to motivate and guide performance improvements.

7. *Career Planning:* Career planning has developed partly as a result of the desire of many employees to grow in their jobs and to advance in their career. Career planning activities include assessing an individual employee's potential for growth and advancement in the organisation.

8. *Compensation:* Human resource personnel provide a rational method for determining how much employees should be paid for performing certain jobs. Pay is obviously related to the maintenance of human resources. Since compensation is a major cost to many organisations, it is a major consideration in human resource planning. Compensation affects staffing in that people are generally attracted to organisations offering a higher level of pay in exchange for the work performed. It is related to employee development in that it provides an important incentive in motivating employees to higher levels of job performance and to higher paying jobs in the organisation.

9. *Benefits:* Benefits are another form of compensation to employees other than direct pay for work performed. As such, the human resource function of administering employee benefits shares many characteristics of the compensation function. Benefits include both the legally required items and those offered at employer's discretion. The cost of benefits has risen to such a point that they have become a major consideration in human resources planning. However, benefits are primarily related to the maintenance area, since they provide for many basic employee needs.

10. *Labour Relations:* The term "labour relations" refers to interaction with employees who are represented by a trade union. Unions are organisation of employees who join together to obtain more voice in decisions affecting wages, benefits, working conditions, and other aspects of employment. With regard to labour relations, the personnel responsibility primarily involves negotiating with the unions regarding wages, service conditions, and resolving disputes and grievances.

11. *Record-keeping:* The oldest and most basic personnel function is employee record-keeping. This function involves recording, maintaining, and retrieving employee-related information for a variety of purposes. Records which must be maintained include application forms, health and medical records, employment history (jobs held, promotions, transfers, layoffs), seniority lists, earnings and hours of work, absences, turnover, tardiness, and other employee data. Complete and up-to-date employee records are essential for most personnel functions. More than ever employees today have a great interest in their personnel records. They want to know what is in them, why certain statements have been made, and why records may or may not have been updated. Personnel records provide the following:

    (a) A store of up-to-date and accurate information about the company's employees.

    (b) A guide to the action to be taken regarding an employee, particularly by comparing him with other employees.

    (c) A guide when recruiting a new employee, e.g. by showing the rates of pay received by comparable employees.

    (d) A historical record of previous action taken regarding employees.

    (e) The raw material for statistics which check and guide personnel policies.

    (f) The means to comply with certain statutory requirements

12. *Personnel Research:* All personnel people engage in some form of research activities. In a good research approach, the object is to get facts and information about personnel specifics in order to develop and maintain a programme that works. It is impossible to run a personnel programme without some pre-planning and post-reviewing. For that matter, any survey is, in a sense, research. There is a wide scope for research in the areas of recruitment, employee turnover, terminations, training, and so on. Through a well-designed attitude survey, employee opinions can be gathered on wages, promotions, welfare services, working conditions, job security, leadership, industrial relations, and the like. In spite of its importance, however, in most companies, research is the most neglected area because personnel people are too busy putting out fires. Research is not done to put out fires but to prevent them.

Self Assessment

Fill in the blanks:

10. .... is the process of describing the nature of a job and specifying the human requirements, such as skills, and experience needed to perform it.

11. .... emphasises the recruitment and selection of the human resources for an organisation.

12. The term .... refers to interaction with employees who are represented by a trade union.

1.5 Systems Approach to HRM

A system is a set of interrelated but separate elements or parts working toward a common goal. A university, for example, is made up of students, teachers, administrative and laboratory staff who relate to one another in an orderly manner. What one group does have serious implications for others? So, they have to be communicating with each other in order to achieve the overall goal of imparting education. The enterprise operations, similarly, must be viewed in terms of interacting and interdependent elements. The enterprises procure and transform inputs such as physical, financial and human resources into outputs such as products, services and satisfactions offered to people at large. To carry out its operations, each enterprise has certain departments known as subsystems such as production subsystem, finance subsystem, marketing subsystem, HR subsystem, etc. Each subsystem consists of a number of other subsystems.

Example: The HR subsystem may have parts such as procurement, training, compensation, appraisal, rewards, etc.

If we were to view HR subsystem as crucial to organisational performance, an organisation presents itself thus:

Figure 1.2: HRM as a Central Subsystem in an Enterprise
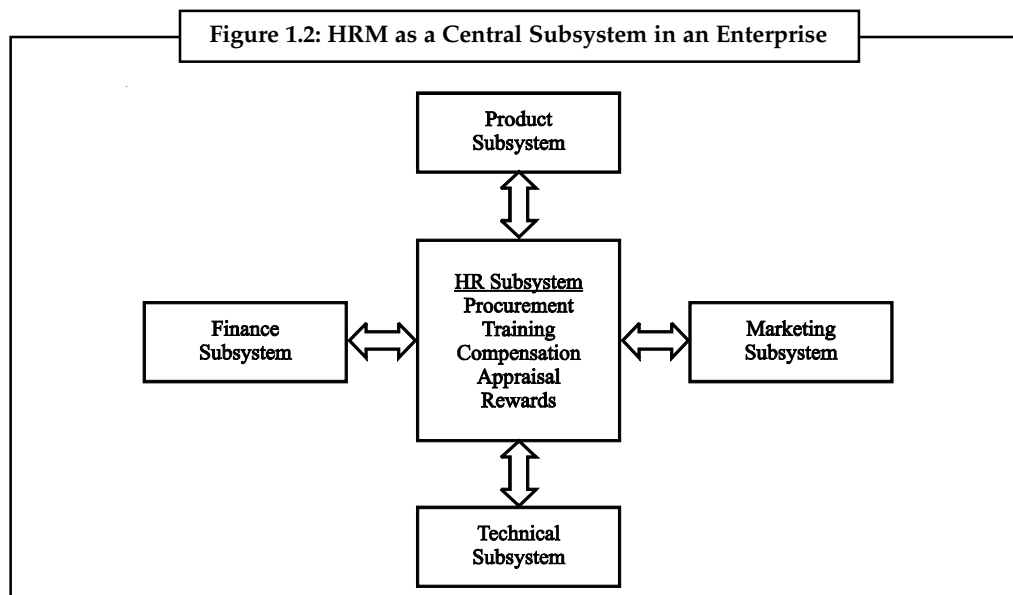
The various internal subsystems, it should be noted here, of an organisation operate within the framework of external environment consisting of political, social, economic and technological forces operating within and outside a nation.

1.5.1 HRM and Competitive Advantage

Competitive advantage refers to the ability of an organisation to formulate strategies to exploit rewarding opportunities, thereby maximizing its return on investment. Competitive advantage occurs if customers perceive that they receive value from their transaction with an organisation. This requires single-minded focus on customer needs and expectations. To achieve this, the organisation needs to tune its policies in line with changing customer's requirements. The second principle of competitive advantage derives from offering a product or service that your competitor cannot easily imitate or copy. An organisation should always try to be unique in its industry along dimensions that are widely valued by customers.

Example: Apple stresses its computers' usability, Mercedes Benz stresses reliability and quality; Maruti emphasizes affordability of its lower-end car Maruti 800.

In order to enjoy the competitive advantage, the firm should be a cost-leader, delivering value for money. It must have a committed and competent workforce. Workers are most productive if (i) they are loyal to the company, informed about its mission, strategic and current levels of success, (ii) involved in teams which collectively decide how things are to be done and (iii) are trusted to take the right decisions rather than be controlled at every stage by managers above them (Thompson). A good team of competent and committed employees will deliver the goals if they are involved in all important activities and are encouraged to develop goals that they are supposed to achieve. In recent years, a new line of thinking has emerged to support this view-known as Strategic Human Resources Management.

Notes **Competitive Advantage through People**

Organisations have come to realise, over the years, that improving technology and cutting costs enhance performance only upto a point. To move beyond that point, the organisation's people are its most important resource. In the end, everything an organisation does depends on people. Low cost and high quality cars like Toyota and Saturns are not just a product of sophisticated automated machines. Instead, they are the result of committed employees all working hard to produce the best cars that they can at the lowest possible cost (Dessler). To get the best out of people, the organisation must offer a healthy work climate where they can use their knowledge, skills and abilities fully while realising organisational goals. This is where HR managers play a crucial role – that of bridging gaps between employee expectations and organisational requirements by adopting appropriate HR policies, strategies and practices. HRM, it is generally felt now, would often competitive advantage if:

1. HR policies are jointly developed and implemented by HR and operating managers.

2. HR puts focus on quality, customer service, employee involvement, teamwork and productivity.

3. HRM strategies and practices are in tune with employee expectations, customer needs and changing competitive requirements. To be effective, HR strategies must fit with overall organisational strategies, the environment in which the firm is operating, unique organisational characteristics and organisational capabilities.

1.5.2 Strategic Human Resource Management (SHRM)

SHRM is the pattern of planned human resource developments and activities intended to enable an organisation to achieve its goals (Wright and McMahan). This means accepting the HR function as a strategic partner in both the formulation of the company's strategic, as well as in the implementation of those activities through HR activities. While formulating the strategic plan HR management can play a vital role, especially in identifying and analysing external threats and opportunities. (Environmental scanning) that may be crucial to the company's success. HR management can also offer competitive intelligence (like new incentive plans being used by competitors, data regarding customer complaints etc.) that may be helpful while giving shape to strategic plans. HR function can also throw light on company's internal strengths and weaknesses.

Example: IBM's decision to buy Lotus was probably prompted in part by IBM's conclusion that its own human resources were inadequate for the firm to reposition itself as an industry leader in networking systems (Dessler). Some firms even develop their strategies based on their own HR-based competitive advantage. Software Majors, Wipro, TCS have not slowed down their recruitment efforts during the lean periods, pinning hopes on their own exceptionally talented employee teams. In fact, they have built their strategic and operating plans around outsourcing contracts from US, Europe, Japan and Germany which would help them exploit the capabilities of their employees fully.

HR has a great role to play in the execution of strategies. HR can help strategy implementation in other ways. It can help the firm carry out restructuring and downsizing efforts without rubbing employees on the wrong side- say, through out placing employees, linking rewards to performance, reducing welfare costs, and retraining employees. HR can also initiate systematic efforts to enhance skill levels of employees so that the firm can compete on quality.

Example: HDFC's competitive strategy is to differentiate itself from its competitors by offering superior customer service at attractive rates (searching the right property, finishing legal formalities, offering expert advice while negotiating the deal, competitive lending rates, fast processing of applications, offering other financial products of HDFC at concessional rates, door-to-door service as per customers' choice etc. (HDFC's growth architecture, Business Today, Jan 6, 2001). Since, the same basic services are offered by HDFC's competitors such as LIC Housing Finance GIC Housing Finance, banks and private sector, players like Dewan Housing Finance, Ganesh Housing, Live Well Home, Peerless Abassan, etc. HDFC's workforce offers a crucial competitive advantage (highly committed, competent and customer-oriented workforce).

Globalisation, deregulation and technological innovation have – in recent times – created the need for rather, faster and more competitive organisations. Under the circumstances, employee behaviour and performance is often seen as the best bet to push competitors to a corner and enhance productivity and market share. HR practices build competitiveness because they allow for strategic implementation, create a capacity for change and instil strategic unity.

1.5.3 Traditional HR versus Strategic HR

SHRM realizes that people can make or break an organisation because all decisions made regarding finance, marketing operations or technologies are made by an organisation's people. So, it accords highest priority to managing people and tries to integrate all HR programs and policies with the overall corporate strategy. It compels people at all levels to focus more on strategic issues rather than operational issues. More importantly, it believes that there is no best way to manage people in any given organisation. Even within a given industry, HR practices can vary extensively, from one organisation to another. Armed with such a flexible approach, SHRM tries to develop a consistent, aligned collecting of practices, programs and policies to facilitate the achievement of the organisation's strategic objectives.

Figure 1.3: The Evolving Strategic Role of Human Resource Management

Strategic HR shifts attention, as against the traditional HR's focus on employee relations, to partnerships with internal and external groups. The focus on managing people is more systemic with an understanding of the myriad factors that impact employees and the organisation and how to manage multiple relationships to ensure satisfaction at all levels of the organisation, Strategic HR is transformational in nature, in that it helps the people and the organisation to adopt, learn and act quickly. It will make sure that change initiatives that are focused on creating high performance teams, reducing cycle time for innovation, or implementing new technology are defined, developed and delivered in a timely way. Strategic HR is proactive and considers various time frames in a flexible manner. Likewise, it permits employees to process work and carry out job responsibilities in a free-flowing way. Rather than being enveloped by tight controls and excessive regulations, operations are controlled by whatever is necessary to succeed, and control systems are modified as needed to meet changing conditions. Job design is organic, specialisation is replaced by cross training and independent tasks are replaced by teams, encouraging autonomy at various levels. Above all, strategic HR believes that the organisation's key assets are its people. It realises that an organisation can have competitive edge over its rivals if it is able to attract and retain knowledge workers who can optimally utilise and manage the organisation's critical resources. In the final analysis, people are the organisation's only sustainable competitive advantage. While running the show, strategic HR, of course, argues that any individual in an organisation that has responsibility for people is an HR manager, regardless of the technical area in which he or she works (See Table 1.2).

Table 1.2: Traditional HR versus Strategic HR

Point of distinction	Traditional HR	Strategic HR
Focus	Employee Relations	Partnerships with internal and external customers
Role of HR	Transactional change follower and respondent	Transformational change leader and initiator
Initiatives	Slow, reactive, fragmented	Fast, proactive and integrated
Time horizon	Short-term	Short, medium and long (as required)
Control	Bureaucratic - roles, policies, procedures	Organic-flexible, whatever is necessary to succeed
Job design	Tight division of labour; independence, specialisation	Broad, flexible, cross-training teams
Key investments	Capital, products	People, knowledge
Accountability	Cost centre	Investment centre
Responsibility for HR	Staff specialists	Line managers

Strategic HR offers three critical outcomes: increased performance enhanced customer, employee satisfaction and increased shareholder value. These outcomes are accomplished through effective management of staffing, retention and turnover processes, selection of employees that fit with both the organisational strategy and culture, cost-effective utilisation of employees through investment in identified human capital with the potential for higher return; integrated HR programs and policies that clearly follow from corporate strategy; facilitation of change and adaptation through a flexible, more dynamic organisation; and tighter focus on customer needs, emerging markets and quality.

Task To be a strategic business contributor, HR managers must enhance organisational performance, expand human capital, and be cost-effective. Discuss how HR professionals must balance the competing demands made on them.

Self Assessment

State whether the following statements are true or false:

13. A system is a set of interrelated but separate elements or parts working toward a common goal.

14. Competitive advantage occurs if customers do not perceive that they receive value from their transaction with an organisation.

15. HR has a great role to play in the execution of strategies.

1.6 HRM Challenges

Global alliances, cross-country mergers, acquisitions have become quite routine affairs now. India has become a sourcing centre for many global giants. In a volatile environment, changes of various kinds hit the firms from all corners. Successful managers have to anticipate and adjust to such changes quickly rather than being passively swept along or caught unprepared. If firms hire people who do not like surprises, probably they are not hiring the right people. Agility pays rich dividends and HR managers have an important role in creating a favourable work climate to initiate and implement changes quickly.

1. *Economic Challenges:* Now-a-days the world is shrinking in all major respects. People, goods, capital and information are moving around the globe as never before. Companies are trying to become global players just to survive; let alone prosper. Coca-cola, a leader in this respect, derives roughly 80 per cent of its profits from foreign sales. IBM, Mobil, Citicorp, Motorola, Gillette too earn more than half of their revenues from operations outside USA. International borders have been ruthlessly ignored or thoroughly discounted when it comes to serving business interests. Todays' managers in big firms are quite comfortable transacting business in multiple languages and cultures.

   In the new global marketplace, HR managers are required to play challenging roles and create a competitive advantage for the firm. Competitive advantage refers to the ability of an organisation to formulate strategies to exploit profitable opportunities, thereby maximising its return on investment. To this end, global firms are continually re-organising their operations and refocusing their energies around their crucial areas of competence.

   Example: AT&T has a global operations team of top executives to look into country-specific demands. Infosys technologies, Bharat Forge, Jubilant Oranosys, Asian Paints, Essel Propack, Micro Inks, Ranbaxy and Dr Reddy Laboratories have created such global operations teams long back to explore overseas markets and exploit available opportunities. They have also been sending key management members to attend global seminars, workshops, training sessions regularly. Companies like Colgate even proclaim, "we want to build a common corporate culture. We want them all to be Colgaters" – while trying to bridge the cultural gap between domestic employees and those in international operations.

2. *Managing Knowledge Workers:* Essentially, here we are looking at different kind of people who does not obey the principles of management for the traditional group. This boils

down to higher educational qualifications, taking up responsibilities at a lesser age and experience, high bargaining power due to the knowledge and skills in hand, high demand for the knowledge workers, and techno suaveness. The clear shift is seen in terms of organization career commitment to individualized career management. Managing this set of people is essential for the growth of any industry but especially the IT, BPOs and other knowledge based sectors.

3. *Managing Technological Challenges:* In every arena organizations are getting more and more technologically oriented. Though, it is not in the main run after the initial debates, preparing the work force to accept technological changes is a major challenge. We have seen sectors like banking undergoing revolutionary changes enabled by technology. It is a huge challenge to bring in IT and other technology acceptance all levels in organizations.

4. *Competence of HR Managers:* As it is more and more accepted that lot of success of organizations depend on the human capital, this boils to recruiting the best, managing the best and retaining the best. Clearly, HR managers have a role in this process. Often it is discussed about lack of competence of HR managers in understanding the business imperative. There is now a need to develop competent HR professionals who are sound in HR management practices with strong business knowledge.

5. *Developing Leadership:* It is quite interesting to note that there is less importance given to developing leadership at the organizational level. Though, leadership is discussed on basis of traits and certain qualities, at an organisational level it is more based on knowledge. The challenge is to develop individuals who have performance potential on basis of past record and knowledge based expertise in to business leaders by imparting them with the necessary "soft skills".

6. *Managing Change:* Business environment in India is volatile. There is boom in terms of opportunities brought forward by globalisation. However, this is also leading to many interventions in terms of restructuring, turnaround, mergers, downsizing, etc. Research has clearly shown that the success of these interventions is heavily dependent on managing the people issues in the process. HR has a pivotal role to play here.

7. *Customers:* Organizations produce products or render services for the ultimate consumption use by the customer. In other words, organizations depend upon customers for their survival and growth. Customers revolt against employees, if the services rendered are less qualitative.

Example: The banks face such type of challenges. Customers may develop a negative attitude towards the organization, if it does not follow the social policies of the country. Hence, the customers pose a challenge special ally in service industry.

8. *Social Factors:* Social environment consists of class structure, mobility social roles social values nature and development of social institutions caste structure and occupational structure, traditions, religion, culture, etc. To cater to everyone's requirement and keep them happy is a big challenge faced by HR today.

9. *Government and Legal Factors:* Until 1940, the government was not involved or interested regarding the problems of labour or industry. But the need for Govt., interference arose out of the belief that Government is the custodian of industrial and economic activities. The role of the government in business has after 1991 with the announcement of economic liberalization. However, awareness of legislations is very important like the Factory Act, 1948, Trade Union Act, 1962, Payment of Wages Act, 1936, the Minimum Wages Act, 1923, the Payment of Bonus Act, 1965, the Employment Exchange Act, Standing Order Act, 1946,

Maternity Benefit Act, 1961, and The Apprentice Act, 1961. All these acts if not complied with can get the organization into deep trouble.

10. *Changing Demands of Employer:* Changes always are not on the side of employees. Organizations also undergo changes and consequently their demands on employees will also change. The information technological revolution and neck to neck marketing competition of most of the organizations due to globalization demand that the existing employees adopt to the ever-changing work situation and learn new skills, knowledge, etc. to cope with the new changes.

Self Assessment

Fill in the blanks:

16. In the new global marketplace HR managers are required to play challenging roles and create a .... for the firm.

17. In every arena organizations are getting more and more .... oriented.

18. Though .... is discussed on basis of traits and certain qualities, at an organisational level it is more based on knowledge.

Case Study   ## Facebook "900 Million Friends and Counting"

Keeping in sync with the nature of its business, Facebook's Singapore office is social by design. The open plan space has no individual cubicles or offices, even for managers. It brings people together, gets them talking and encourages collaboration, reveals Madan Nagaldinne, Head of HR, Asia-Pacific, Facebook.

Adding some local flavour to the work environment, the meeting rooms at the office are named after Singaporean terms such as Uncle, Ah Beng and "Can La". Employee perks include a pantry well-stocked with sandwiches, salads, muffins and other snacks. This leads out to a relaxing outdoor patio where your attention immediately centres on a large hammock. Employees can use it for a siesta at any time without fear of reprisal, Nagaldinne says. "We allow people to bring their whole self to work."

Despite the company's rapid global expansion, it believes on keeping things lean. "We want to grow big but stay small," Nagaldinne says. As it scales its business, a major challenge is scaling its culture and leadership in tandem with this growth, he adds.

Empowering Employees

Facebook believes in empowering employees to make independent decisions, and busting bureaucracy is a key facet of its work culture. For example, employees do not constantly need to seek permission to get something done, says Nagaldinne. "You do what you think is right for the business. Done is better than perfect."

The organisation also believes in being open and flexible to new ideas and requests from employees. "Don't throw the rulebook at them. Some policies may be redundant so make speed your friend and not your enemy," Nagaldinne says.

Creating "awesomeness" at the workplace is a top priority at Facebook. This goes beyond employee engagement and extends to other factors like hiring effective managers, and

Contd...

---

getting compensation and benefits packages at their optimum, right down to the initial interview process for all staff, explains Nagaldinne.

Working at Facebook also requires some employees to "unlearn" certain things that they might have used to in their previous places of work. For example, they have to get used to working in smaller teams as well as learn how to share and co-create, Nagaldinne says.

The organisation also adopts a very open culture and employees are encouraged to constantly discuss things among each other. Its internal culture is built around feedback and employees use internal Facebook groups to aid collaboration. "Once you give people a platform, you open the door to self-expression."

Making an Impact

Facebook adopts a very purpose-driven talent acquisition process that seeks out individuals with a passion and strength. "They have to be builders and creators at the core. What have you valued added? How good are you at dreaming big?" asks Nagaldinne of all candidates.

Employees with originality and an extreme entrepreneurial spirit are ideal, Nagaldinne says. The organisation also encourages a certain level of risk-taking. "We allow people to fail, but fail fast. What would you do if you didn't fail? It allows people to be really bold."

Organisations should not use the stick over small mistakes, Nagaldinne adds. "Great talent will run away if you dictate."

As Facebook is at the forefront of change, it wants employees who can make an impact in the organisation. "Making sure that everyone has a real job is what makes us different," says Nagaldinne.

Career development at Facebook is more like a jungle gym, than the traditional vertical ladder of growth. This means that getting ahead in the organisation need not necessarily be a direct path up, Nagaldinne says. Instead, employees grow through varied experiences and are constantly learning from the people around them. Facebook also helps its employees identify and develop their core strengths.

Bridging Gaps

With a global workforce of 3,000, Facebook believes in building an inclusive work culture. Apart from being a melting pot of different cultures, it is also a lesbian, gay, bisexual and transgender-friendly employer. In Singapore, medical coverage is extended to employees' significant other regardless of gender or if they are legally married.

Facebook is also a strong proponent of women's leadership. In honour of International Women's Day this year, the company created a video encouraging more girls to study computer science so that they can take on more technology-centred jobs in the future. Facebook's Chief Operating Officer, Sheryl Sandberg, is also a strong advocate and regularly speaks on the topic. In 2011, she was ranked #5 on "the world's 100 most powerful women" list by Forbes.

Questions:

1. Study and analyze the case.

2. Write down the case facts.

3. What do you infer from it?

Source: http://www.hrmasia.com/case-studies/facebook-900-million-friends-and-counting/141717/

1.7 Summary

- People have always been central to organisations but their strategic importance is increasing in today's knowledge-based industries.

- HRM is responsible for the people dimension of the organisation.

- It is a pervasive force, action-oriented, individually-oriented, development-oriented, future-focused, and integrative in nature and is a comprehensive function.

- People have always been central to organisations but their strategic importance is increasing in today's knowledge-based industries.

- HRM mainly covers three broad areas: personnel aspect, welfare aspect, and industrial relations aspect.

- HRM aims at achieving organisational goals, meeting the expectations of employees; developing the knowledge, skills and abilities of employees, improving the quality of working life and manage human resources in an ethical and socially responsible manner.

- From an organisational standpoint, good HR practices help in attracting and retaining talent, train people for challenging roles, develop their skills and competencies, increase productivity and profits and enhance standard of living.

- HR can be a source of competitive advantage, when the talents of people working in the company are valuable, rare; difficult to imitate and well organised to deliver efficient and effective results.

- Strategic HRM is the linking of HRM with key goals and objectives with a view to improve business performance and develop organisational cultures that foster innovation and flexibility.

- Strategic HR differs radically from traditional HR in a number of ways.

- The field of HRM evolved both in India and elsewhere, over a number of years to its present level of sophistication and use of proactive methods.

- The effective use of people is the critical factor in the successful accomplishment of corporate goals. To this end HR managers need to understand the needs, aspirations of employees pro-actively, face the challenges head on and resolve issues amicably in the years ahead.

1.8 Keywords

Competitive Advantage: It allows a firm to gain an edge over rivals when competing. It comes from a firm's ability to perform activities more distinctively and more effectively than rivals.

Employee Development: A kind of future oriented training, focusing on the individual growth of the employee.

HR Planning: The process of identifying human resource needs and formulating plans to meet these needs.

Human Resource Management (HRM): A process of bringing people and organisations together so that the goals of each one are met, effectively and efficiently.

Management: The process of efficiently achieving the objectives of the organisation with and through people.

Purpose of HRM: HRM seeks to improve the productive contributions of people to the organisation in ways that are ethically and socially responsible.

Recruitment: The process of finding and attracting capable applicants for employment.

Selection: The process of matching the qualifications of applicants with job needs and choosing the most suitable one.

Strategic Fit: Aligning internal resources of an organisation with opportunities available in external environment.

Strategic Human Resources Management (SHRM): The linking of HRM with strategic goals and objectives in order to improve business performance and develop organisational cultures that foster innovation and flexibility.

System: Two or more parts working together as an organised whole with clear boundaries.

Training: A learning process designed to achieve a relatively permanent change in an individual that will improve the ability to perform on the job.

1.9 Review Questions

1. Define "HRM". Outline its objectives.

2. Why has the HRM function increased in stature and influence in many organisations?

3. What do you mean by the "Systems approach to HRM"? What are the important subsystems of HRM?

4. Why is it important for a company to make its human resources into a competitive advantage? How can HR professionals contribute to doing so?

5. "The challenge and the role of HR Department being what it is, it is strange that its status is not recognised and respected" Comment.

6. Critically examine the evolution and present state of human resource management in India.

7. To be a strategic business contributor, HR managers must enhance organisational performance, expand human capital, and be cost-effective. Discuss how HR professionals must balance the competing demands made on them.

8. Distinguish between:

    (i)   Personnel Management vs Human Resource Management

    (ii)   Traditional HR vs Strategic HR

9. Highlight the importance of HRM.

10. Explain the HRM policies with respect to the other fields.

Answers: Self Assessment

1.	True	2.	False
3.	True	4.	HRM
5.	Economic Growth	6.	Balance
7.	False	8.	False
9.	True	10.	Job analysis
11.	Staffing	12.	Labour Relations

13. True

14. False

15. True

16. Competitive Advantage

17. Technologically

18. Leadership

1.10 Further Readings

Books

Aswathappa, K. (2007), *Human Resource and Personnel Management*, Tata McGraw Hill.

Bhattacharyya, D. K. (2006), *Human Resource Management*, Excel Books.

Mathis, Robert L & Jackson, John H. (2007), *Human Resource Management,* Thomson.

Rao, P. L. (2004), *Comprehensive Human Resource Management*, Excel Books.

Rao, VSP (2005), *Human Resource Management,* Excel Books.

Online links

http://icsc.un.org/resources/hrpd/hrm/ICSC_hrm_eng.pdf

http://kalyan-city.blogspot.com/2011/04/human-resource-management-hrm-meaning.html

http://www.citeman.com/1590-definition-significance-of-human-resource-management-hrm.html

http://www.hrmguide.co.uk/introduction_to_hrm/defining-hrm.htm

http://www.mba-mentor.com/importance-of-hrm

http://www.nou.edu.ng/noun/NOUN_OCL/pdf/pdf2/MAIN%20EDA%20721.pdf

Unit 2: E-Human Resource Management

CONTENTS

Objectives

Introduction

Objectives

After studying this unit, you will be able to:

●   Explain the meaning of Electronic Human Resource Management (E-HRM)

●   Discuss the Electronic HRM Functions

●   Explain the applications of Electronic Human Resource Management

●   Describe the use of E-HRM Technology

●   Explain the Impact of E-HRM on the Effectiveness of the HR System

Introduction

In the previous unit, we dealt with the meaning, scope, importance, functions, policies and challenges of HRM along with the systems approach to HRM. The rapid development of the

Internet during the last decade has also boosted the implementation and application of electronic Human Resource Management (e-HRM). There is little or no room for argument of the notion that 'people' are one of the key assets determining the success or failure of an organization and hence the importance of the knowledge, skills, attitudes and behaviours of those people for the betterment of an organization. Though a company does not have absolute power over this asset, they can make use of certain tools and techniques to exert some vital influence over the way they perform towards achieving the mission of the organization. The concept of Electronic Human Resource Management known as e-HRM meaning *"the adoption of technology in delivering Human Resource [HR] practices due to the digital revolution in the world is such a tool that organizations can employ to manipulate the performance and behaviour of the people on whom they rely on to achieve business success"*. The purpose of this Unit is to enable the students to comprehend basic expressions. At the end of this unit, you should be able to understand the meaning, functions, applications, use and impact of E-HRM.

2.1 Meaning of Electronic Human Resource Management (E-HRM)

Electronic Human Resource Management (E-HRM) is the use of web-based technologies to provide HRM services within employing organizations. It embraces e-recruitment and e-learning, the first fields of human resource management to make extensive use of web-based technology. From this base e-HRM has expanded to embrace the delivery of virtually all HR policies. Within a system of e-HRM, it is possible for line managers to use desktop computers to arrange and conduct appraisals, plan training and development, evaluate labour costs, and examine indicators for turnover and absenteeism. Employees can also use a system of e-HRM to plan their personal development, apply for promotion and new jobs, and access a range of information on HR policy. Systems of e-HRM are increasingly supported by dedicated software produced by private suppliers.

E-HRM is the (planning, implementation and) application of information technology for both networking and supporting at least two individual or collective actors in their shared performing of HR activities.

⚠️

Caution E-HRM is not the same as HRIS (Human resource information system) which refers to ICT systems used within HR departments. Nor is it the same as V-HRM or Virtual HRM – which is defined by Lepak and Snell as *"...a network-based structure built on partnerships and typically mediated by information technologies to help the organization acquire, develop, and deploy intellectual capital."*

E-HRM is in essence the devolution of HR functions to management and employees. They access these functions typically via intranet or other web-technology channels. The empowerment of managers and employees to perform certain chosen HR functions relieves the HR department of these tasks, allowing HR staff to focus less on the operational and more on the strategic elements of HR, and allowing organisations to lower HR department staffing levels as the administrative burden is lightened.

Did u know? It is anticipated that, as E-HRM develops and becomes more entrenched in business culture, these changes will become more apparent, but they have yet to be manifested to a significant degree. A 2007 CIPD survey states that, *"The initial research indicates that much-commented-on development such as shared services; outsourcing and e-HR have had relatively little impact on costs or staff numbers"*.

E-HRM is a way of implementing HR strategies, policies, and practices in organizations with the full use of web-technology-based channels. Thus, E-HRM is the application of information technology for performing of HR activities. Utilizing information technology highlights two aspect of E-HRM; firstly, technology integrates and connects people who can be in one room of the organization or in different countries. Secondly, information technology supports HR managers by fulfill their activities (this task fulfillment can be both partially or completely according to organization's strategy and purpose). Similarly, Voermans and Van Veldhoven (2007) defined E-HRM as the administrative support of the HR function in organizations by using internet technology. Another definition of E-HRM is using computer systems, interactive electronic media and telecommunications network to fulfill HR functions. As Zafar (2009) stated, the rise of the knowledge economy is accompanied by a transformation of the bureaucratic organization into one of the networked types. This transformation also becomes visible in the relationship between the individual employees and the organization.

Many of the reporting-type activities, previously performed by HR professionals, can now be performed online by managers and employees. On their own desktops, line managers nowadays perform appraisals, evaluate employee costs, generate HR reports (turnover, absenteeism), process training requests and oversee competence management. Employees have access to everything they need to change and manage their personal files, plan their development, process financial documents and apply for new jobs. The topic of E-HRM is certainly not becoming obsolete, and its full potential is still anticipated, and therefore, academic involvement in the topic needs to grow.

"E-HRM" is typically defining as the use of computer systems, interactive electronic media, and telecommunication networks to carry out the functions of the human resources management department. E-HRM managers always strive to provide a seamless integration of all HRM services with a common goal of employee satisfaction. This technology-assisted model of HRM is often begun as an efficiency program, but it soon evolves into a major source of competitive advantage. In addition, while some human resources management departments utilize a few virtual HRM applications, others strive to re-engineer, automate and integrate nearly all of their HRM functions. E-HRM costs lower and improve efficiency by:

● Reducing paperwork and streamlining work flow,

● Automating redundant HRM tasks,

● Empowering employees to embrace a self-service HRM delivery system,

● Keeping the company workflow fully informed about all important HR compliance issues and corporate events,

● Speeding up the response time of HRM systems,

● Ensuring that more informed decisions are made,

● Improving time management, and

● Offering a flexible model of HRM that meets the changing needs of an increasingly diverse and global workforce

2.1.1 Objectives of E-HRM

E-HRM is a way of thinking about and implementing HRM strategies, policies, and practices. Organizations attempt to achieve certain objectives by following a specific E-HRM direction. Beer et al. (1984) identified four objectives of E-HRM are as follows:

1. *High commitment:* By high commitment workforce is motivated and understanding, and that they are willing to interact with the management about changes in the organizational environment and the impact that this can have on the internal organization. For HR itself, this means that it should be able to play the role of change agent.

2. *High competence:* High competence points towards the capacities of employees to learn new tasks and roles if the circumstances require it.

3. *Cost effectiveness:* Cost effectiveness refers to the competitiveness of pay levels and employee turnover rate, and to the acceptability of costs resulting from employee resistance such as strikes.

4. *Higher congruence:* Finally, higher congruence refers to the internal organization, the reward system, and the 'input, throughput, and output' of personnel, which need to be structured in the interests of all stakeholders.

What goals drive stakeholders when deciding about E-HRM? Based upon a scan of professionally-oriented and academic journals, we can also draw three types of goals:

- Improving the strategic orientation of HRM,

- Cost reduction/efficiency gains, and

- Client service improvement/facilitating management and employees.

Some of the empirical findings add globalization to these goals, seeing it as an E-HRM driving force in large international organizations. However, findings also show that these goals are not clearly defined in practice and that E-HRM is mostly directed towards cost reductions and efficiency increases in HR services, rather than aiming to improve the strategic orientation of HRM. Recent studies have found that in nearly half of the companies with a fully integrated HRIS, HR was not viewed as a strategic partner.

2.1.2 Types of E-HRM

It is inferred that in 1998, Lepak and Snell suggested three types of E-HRM are as follows:

1. *Operational E-HRM:* The first area, operational E-HRM, concerns the basic HR activities in the administrative area. One could think of salary administration (payroll) and personnel data administration.

2. *Relational E-HRM:* The second area, relational E-HRM, concerns more advanced HRM activities. The emphasis here is not on administering, but on HR tools that support basic business processes such as recruiting and the selection of new personnel, training, performance management and appraisal, and rewards. For relational e-HRM, there is the choice between supporting recruitment and selection through a web-based application or using a paper-based approach (through advertisements, paper based application forms and letters etc.).

3. *Transformational E-HRM:* Transformational e-HRM, the third area, concerns HRM activities with a strategic character. Here, we are talking about activities regarding organizational change processes, strategic reorientation, strategic competence management, and strategic knowledge management. In terms of transformational e-HRM, it is possible to create a change-ready workforce through an integrated set of web-based tools that enables the workforce to develop in line with the company's strategic choices.

Notes

Notes **Electronic Technology in Employee Overtime Management**

Overtime payment is one of the overheads under the compensation management by the human resource Department. According to labour laws of different countries like in United States, Fair labour Standards Act and in India, Factories Act, 1948; overtime should be paid double the wage than the normal working hours. Introduction of the electronic technology in the human resource functional task will result in better controlling and cost saving. Biometrics is the latest electronic technology design for accurate attendance maintenance for human beings with zero errors or frauds. Biometrics scans finger of human and stores permanently as his identity and proof that he is present. Many companies are entrusting attendance management to biometrics that gives accurate attendance dates with in and exit time of employee. The time employee remained in office on work can be monitored exactly and hence paid appropriate remuneration to his total working hours. Biometrics are playing very crucial role in the employee work time management that is linked with compensation management and also in cost-saving by measuring employee work time contributed to organisation.

2.1.3 E-HRM Outcomes

Beer et al. distinguish four possibilities:

(a)   High commitment,

(b)   High competence,

(c)   Cost effectiveness, and

(d)   Higher congruence.

These outcomes, in turn, may change the state of HRM in an organization, or through individuals and/or groups within an organization actually result in a new HRM state. This closes the circle. With the addition of the E-HRM outcomes, the building blocks which are needed to finalize our E-HRM model have been identified.

The various goals of E-HRM and the different types of E-HRM are expected to result in outcomes including more efficient HRM processes, a higher level of service delivery and a better strategic contribution. Such expected outcomes can be "encapsulated" in one concept, which could be counted as HRM effectiveness. E-HRM, as the matter of fact, is expected to contribute to the effectiveness of HRM, which consequently could help achieve the organization's goals.

2.1.4 Virtual HRM Department

Virtual HRM is relevant to telecommuters who work out of their virtual home office. The evaluation of the virtual HRM department is based on six driving forces. These forces need to be harnessed and responded to as companies approach the 21st century. The following six forces must be addressed by HRM departments that want to continuously increase their value while reducing costs.

1.   *Information technology:* HRM professionals are facing a digital future. The rapid growth in the field of computer hardware, software, networking, and telephony services is absolutely essential to the virtual HRM movement. It is not accident that virtual HRM departments will become the norm in the near future. This is especially true with the

increase sophistication and lower costs of information age technology and automated processes.

Figure 2.1: The Six Driving Forces for Evaluating the Virtual HRM Department

Source: http://www.srlst.com/ijist/ijism-Vol6No2/ijism62-79-98.pdf

2. *Processes re-engineering:* Strategic HRM managers are constantly looking for ways to streamline and improve core business processes to make them efficient. All business processes especially those in the HRM department can be re-engineered and improved through the skillful application of information technology.

3. *High-speed management:* To be competitive, all companies must work smarter and faster. Virtual HRM is definitely a smarter and quicker form of service delivery than traditional HRM.

4. *Networked organizations:* Virtual HRM departments are more likely to emerge in networked organizations than in traditional and bureaucratic companies. The proliferation of information technology such as local area networks, email, and corporate intranets are the trademarks of a flatter networked company. These new-wave organizations offer state-of-the-art technology and information sharing to empower all levels of personals.

5. *Knowledge workers:* The 21st century organization will compete on strategic information and knowledge. These "learning organizations" will be staffed with self-directed and computer savvy, knowledge workers. These workers will excel at using information to quickly identify and capture lucrative business opportunities while also diligently identifying and resolving costly problems.

6. *Globalization:* To complete successfully in the 21st century, nearly all companies must develop a global business strategy. This means that HRM departments must be capable of providing services to their employees anywhere on earth. Obviously, a technology-assisted HRM department that is skilled at traversing the information super-highway is in the best position to support a globalized workforce.

In summary, all of the aforementioned forces are designed to get rid of outmode organizational processes, procedures, layers and boundaries that add cost and form barriers between the HRM department and the company employees. Moreover, all of these forces reflect the enormous impact that information technology has, and will continue to have, on every process and procedure in the HRM department. Successful information of a virtual HRM department will clearly increase a company's competitive advantage.

Notes

Caselet

Nokia Rethinks HR with Web Portal

Mobile phone manufacturer, Nokia has reduced its HR costs by between 20% to 30% after rolling out a web-based HR portal to its 60,000 employees. The portal, part of a major re-think of the way Nokia manages its HR, has given the company a clear view of the capabilities of its worldwide workforce for the first time. Its development comes at a critical time for Nokia, as it battles with cost-cutting, restructuring and a strategic gamble to jettison its own smartphone operating systems in favour of Microsoft technology.

The magnitude of the challenge facing Nokia was revealed to staff in a leaked internal memo in February. Nokia's CEO, Stephen Elop, compared the company to a man standing on a burning oil platform, who might just survive if he jumped in time. Nokia needed to find billions in savings fast, he warned.

Single HR System Covering 60,000 Employees

In human resources, at least, Nokia had a lot of the pieces in place to make the restructuring possible, says Andrew Winnemore, director of global HR services. Unlike most multinationals, which have a multitude of HR systems to contend with; Nokia had a single SAP HR system in place. It had a single set of HR data, covering its 60,000 employees in 73 countries. The bad news was that Nokia's SAP system was heavily customised, which made it expensive to maintain and upgrade, says Winnemore.

Nokia opted to roll out a portal that would give employees and managers the ability to access and update their own HR data. The portal aims to free Nokia's HR managers from the burden of administration to focus on more strategic areas of the business. Once it is fully rolled out, Nokia predicts HR staff will be able to reduce the proportion of the time they spend on administrative tasks from 60% to 20%; and double the time they spend supporting the business.

Immature Technology

Nokia made its first attempt to introduce a company-wide HR portal in 2004. But the project ran into difficulties. The technology was immature, with few off-the-shelf solutions available, says Winnemore. Secondly, reaching a consensus about how to manage HR processes in the organisation proved unexpectedly difficult. "The project team felt they had an agreement on how the workflow should go, but we realised there had to be a deeper sign-off and commitment," said Winnemore. For example, there was the question of who should approve the appointment of new members of staff, he says. Should it go to the manager, the manager's manager, the trade union or the HR department?

Clarity in Process

"Unless you get clarity behind that, you end up having workflows and approval flows which are very difficult to customise, build and maintain."

Nokia took these lessons on board when revisited the project in 2008. The project team took time to study and understand the day-to-day tasks and problems facing HR. It became clear that Nokia's HR data was not as consistent as it should be. HR managers in each country were entering data into the SAP system in different ways.

"We found that moving people from one country to another country was just an horrific nightmare." he said.

Contd...

Winnemore and his team developed a detailed change plan before rolling out the portal. At its core was a proposal to create consistent records by centralising HR data entry in one place. "Part of that was driven by costs, so we could allow our HR consultants in each country to focus on what's important. But the other underlying factor was to simplify and streamline the approach," he said.

Nokia created a processing centre in Chennai, India, and a series of regional HR centres to provide HR expertise to managers and employees. The process took two years. The second plank of the strategy was a complete re-evaluation of the work flows and policies in HR. At its heart was a fundamental change in the role of HR, away from policing to providing a support and consulting service to the rest of the business.

"We looked at each transaction and asked questions like, 'can you change your job title yourself, or not?'; 'When you do recruitment, who is involved in recruitment?'; 'When you do a promotion, how do you do a promotion, who is signing off the promotion?'," he said. "We looked at everything linked to every HR transaction that we have."

Nokia based the portal on SAP's off-the-shelf web technology, opting for the minimum amount of customisation to keep the project as simple as possible. Winnemore and his team rolled the portal out gradually between 2008 and 2010. The plan was to go live with one component and develop it before moving on to the next.

Complaints

"There were lots of problems at the beginning, lots of complaints, and we just went through it systematically step by step, fixing-improving, fixing-improving."

Nokia slowly began to encourage staff and managers to use the portal, rather than taking their queries to HR. Making the portal understandable for non-HR specialists and eliminating HR jargon form the portal was a priority, says Winnemore.

At the same Nokia worked to change the way its HR staff work.

"Rather than saying to a manager, 'Yes, let me do it,' it was a matter of the HR person saying, 'Let me walk you through what you need to do, then do screen sharing' and coaching them to go in," he said.

Technically, the challenge is integrating SAP HR system to Nokia's country-based payroll systems, says Winnemore. The company has been working to create a single model for payroll across its geographies over the last year. It is rationalising the number of systems it uses to make integration easier.

Data Analytics

Next, Winnemore plans to build on the project by developing systems to exploit HR more effectively. The company uses an analytics package from Inform Business Impact, now owned by HR specialist Successfactors, to monitor recruitment and diversity trends.

"We do feel that there is a lot more we can do there. And it's one area we are looking at more consciously," he said.

For example, data analytics could be used identify managers who were particularly skilled at hiring high-performing recruits.

"If a manager ends up being really talented at picking out the right people, we should be able to use this information in the future to say, if we have the manager focusing more on this role, we can generate value," he said.

Source: http://www.computerweekly.com/feature/Nokia-rethinks-HR-with-web-portal

Self Assessment

State whether the following statements are true or false:

1.   E-HRM is same as HRIS.

2.   E-HRM is the application of information technology for performing of HR activities.

3.   Relational e-HRM concerns HRM activities with a strategic character.

2.2 Electronic HRM Functions

Following are the electronic HRM functions:

1.   *E-Performance Management:* E-Performance, a web-based tool, has been designed to make your performance reviews easier than ever. E-Performance management places effective performance management where it belongs in the hands of line managers. Performance contracting and appraisal have never been easier. Goals are linked to the balanced scorecard elements giving the organization an overall view of performance with drill down capability to departments, sub-departments and individuals.

     Benefits for Line Managers: Focused and aligned performance goals have a direct influence on company performance. On the other hand, employee performance and focus areas are accessible in an instant. Also, performance management is a key part of an organization's integrated human resources strategy. By this method, line managers receive instant feedback on performance with drill down to individual employee performance. No need to rewrite performance contracts each year. Simply you could upload and edit from a previous period and then, development needs emanating from performance discussions would be automatically fed into the individual development plan.

2.   *E-Salary Review:* This provides the functionality to model salary increases taking into account the employee's performance, the budgeted salary increase and the industry benchmark salary for each job. In addition, the system operates on the principle of managing salaries within a particular band by limiting the recommended increases of over paid employees even if they perform well and recommending increases to underpaid employees even if they perform poorly.

     Benefits for Line Managers: E-salary applies performance-based increases, manage salaries within industry range, address overpaid and underpaid employees and ensure salary budget is met. On the other hand, E-salary prevent organizational blockage by overpaid employees. Also ensure retention by addressing underpaid high potential employees and huge potential savings by effectively managing salaries, e.g., a company with 500 employees with an average salary of $100000 is a save 0.1% by effective management salary budget of $50 million equals $ 50 000 (for year 2, 3 and 4 as well).

3.   *E-360º Appraisals:* E-360º appraisals have never been easier. Statements are preloaded into the system and the client is then able to custom build any number of profiles that can be linked to employees. There are a number of 360º appraisal reports available including individual reports that include and exclude self ratings, organizational reports that allow individual comparison to group and individual graphs. The reports also allow for drill down to statement averages to analyze the category averages. The system provides reports for HR or senior managers to monitor the progress of completed performance appraisals in the organization.

     Benefits for Line Managers: That is easy to use online capture facility. Employee performance and focus areas are accessible in an instant. 360 º appraisals provide unbiased and anonymous ratings. On the other hand, performance management is a key part of an

organization's integrated human resources management strategy. Line managers receive instant feedback on performance with drill down to individual employee performance.

4. ***E-Recruitment and Selection:*** Recruiting the right person for the right job is the most critical aspect of human resource management. Starting with high caliber people is the first step. Only then can this be followed by effective performance management and employee development. E-recruitment simplifies this process by providing a sophisticated web-based solution that manages the process of recruitment from start to finish. Using a job centric design with multiple position linkage provides features such as job advert generation, online applications, applicant matching, interview question database and letter of appointment generation. The recruitment monitor shows at a glance the status of organizational recruitment and provides reports that compare candidate suitability to the job profile.

   Benefits for Line Managers: It is one stop shop for organizational recruitment. E-recruitment improves the quality of candidate by ensuring proper recruitment profiles and adverts are drafted and effective interviews are conducted. It also improves quality of interview questions. Potential candidate details are kept electronically. The use of electronic tools for recruitment provides real time reports for managers to monitor recruitment progress through the cycle. It also shows the candidates being most closely matched to the job specification and the standardized conditions of employment clauses.

5. ***E-Succession Planning and Career Management:*** Who are the high flyers in your organization and when will they be ready for promotion? Does your organization have a strategy and process to identify and retain talent? Do you have adequate cover for the key jobs in your organization? Succession planning provides tools to effectively manage the organization's strategic people resources. Through the process of line driven career discussions, the potential of your employees is captured. Once captured, the organization is able to run reports that show potential by a variety of parameters. Future date driven reports indicate employee succession plans and allow the organization to ensure that there is adequate strategic cover of critical jobs.

   Benefits for Line Managers: E-succession planning identifies your high flyers in the organization and ensures adequate balance of solid performers and high potential. It also analyzes your employee base from equity and gender perspective. On the other hand, it identifies valuable employees at risk of leaving and gaps where trainees need to be deployed. Finally, this method highlights organizational jobs that are difficult to find replacements for.

6. ***E-Skill Management:*** E-skills module allows for the management of the competency acquisition process and on-the-job-training in compliance with the Skills Development Act recommendations. The functionality of this method allows for the assembly of unit standards according to job titles, roles or qualifications and the capability is provided to link employees to these unit standards. It monitors competency acquisition via sophisticated reports by individual, department, grade, and unit standard or job title. It is that simple if you harness the power of the software that provides E-skills development module. For each profile, the system has the functionality to add an assessment checklist for each unit standard comprising a set of learning objectives. Employees acquire a fixed number of learning objectives (normally between 50 and 150) when unit standards are linked to their respective jobs or qualifications. To show progress in skills acquisition, each employee is then assessed against the criteria and learning objectives are signed off on the software.

   Benefits for Line Managers: E-learner ship and skill development enable line managers to obtain a real time indication of competency acquisition levels in every area of their business, from a departmental level right down to an individual level. By monitoring and measuring competence acquisition, organizations are able to effectively identify skill

deficiencies that have a direct impact on productivity. Also, the transparent measure of competency acquisition and the quantification of progress provide an incentive to manage and focus on people development. By this method, the creation of profiles for each employee stimulates self directed learning and encourages greater employee participation and interaction around how work is done. On the other hand, as competency acquisition levels are raised in an organization, so too does the organizational culture change towards greater accountability for HRM by Line and a movement towards a self management culture.

7. *E-Training Management:* E-training management provides the facility to capture course information, book employees on specific courses and record individual training history. Included features are bookings by delegate or course, provision of an open text field for development plans and the recording of training days planned and completed. E-training management provides an efficient means of tracking training courses and employee training records. Course details are entered with multiple event capability and booking can then be carried out online.

   Benefits for Line Managers: If organizations use electronic training management, training cost can be effectively managed and cost breakdowns by department, race, gender, category and employee will be available. Also by this method, employee training records are instantly accessible and training calendar is available by month. It also holds details of training vendors and venues. Finally, unique report writer gives user the means to generate customized reports.

8. *E-Discipline and Grievance Management:* Line managers can now record details of their disciplinary hearings and grievance cases online. History of previous disciplinary cases can be accessed immediately. Manager can record details of counseling sessions as well as grievances lodged by employees. Drill down-departmental reports are available to analyze where disciplinary cases are most prevalent. The system provides the facility to record disciplinary cases by race, gender and occupational grouping and is used for employment equity returns.

   Benefits for Line Managers: In this method, access to check disciplinary records and online capture of counseling, discipline and grievance records is easy. Quick view reporting on disciplinary cases and option to look up labour law and case history are other benefits of this method.

Self Assessment

Fill in the blanks:

4. …………………… management places effective performance management where it belongs in the hands of line managers.

5. …………………… the right person for the right job is the most critical aspect of human resource management.

6. ………………… module allows for the management of the competency acquisition process and on-the-job-training in compliance with the Skills Development Act recommendations.

2.3 Applications of Electronic Human Resource Management

The applications of E-HRM provide a variety of automated HR activities that increase the HR function with flexibility and ease of use. Davis et al (1997) defined usefulness as a specific application system which increases personnel job performance in organization. As a result, users of E-HRM system perceive it useful only when they observe the positive impact of E-HRM applications on organizational performance.

In our view, it concerns the following: e-HRM is a way of implementing HR strategies, policies, and practices in organizations through a conscious and directed support of and/or with the full use of web-technology-based channels. The word 'implementing' in this context has a broad meaning, such as making something work, putting something into practice, or having something realized. E-HRM, therefore, is a concept - a way of 'doing' HRM.

The e-HRM business solution is designed for human resources professionals and executive managers who need support to manage the work force, monitor changes and gather the information needed in decision-making. At the same time, it enables all employees to participate in the process and keep track of relevant information.

2.3.1 E-HRM Tools and Software

E-HRM tools and software comprises:

1. Software Targeting HRM Staff as End Users; and

2. Software Targeting Internal Customers as End Users

1. *Software Targeting HRM Staff as End Users:* Software targeting HRM staff as end users can be depicted from two perspectives which are as follows:

    (a) *HRM functional applications:* "HRM applications" is the first E-HRM tools category that introduced software-enabled automation of discrete tasks and responsibilities assigned to the HRM function. Over time, vendors have developed a broad array of computer programs automating the whole gamut of actions carried out by HRM staff in the content domains of talent management, performance management, and stakeholder management. This technology category has matured to the point where one source publishes an annual census containing product summaries and contact information for over 1,300 HRM applications in the US alone. Even though these technologies were among the first used to make the HRM department's tasks easier, faster and more structured, absence of unifying standards made cross-application interfaces problematic.

    (b) *Integrated HRM suite applications:* Products falling into this category are portrayed as integral solutions for the HRM department. Often housed on corporate or central computers, these systems provide access to larger databases through a variety of modules that automate diverse HRM sub-functions. Most importantly, there is an ability to share data easily across applications. There also may be interfaces with non-HRM function (e.g. production scheduling, financial management), as would exist when the HRM suite is part of an Enterprise Resource Planning (ERP) system. While the first two E-HRM tools present opportunities to streamline the transactional elements of HRM service delivery, integrated HRM suites seek more ambitious improvements given the scope of their functionality. Consequently, the market for this innovation is less fragmented and more intensely competitive than it tends to be for vendors of discrete HRM functions.

2. *Software Targeting Internal Customers as End Users:* Software targeting internal customers as end users can be depicted from different perspectives which are as follows:

    (a) *Interactive Voice Response (IVR) systems:* Interactive Voice Response (IVR) systems channel phone calls automatically to targeted recipients or recordings by pressing touchtone buttons. HRM functions subsequently leveraged this technology to facilitate telephone-driven consumption of such services as benefits enrollment, training registration, employee announcements, work-related surveys, etc.

Example: American firms like Procter and Gamble, Office Depot and Deloitte and Touche further deployed IVR systems to increase the efficiency of prescreening external applicants; a practice that has surfaced in Europe as well.

External organizations such as banks or bonding agencies also are able to verify employees' status or income levels by calling the appropriate numbers.

(b) *HRM intranet applications:* As intranet usage proliferates worldwide, opportunities emerge to utilize email and electronic-form software to reduce the costs of data entry for payroll, benefits administration, training administration, etc. Employees increasingly become responsible for electronically updating their databases and downloading forms needed to execute task requirements. Even greater effort has been expended to migrate human-resource applications to internal websites, forming an HRM intranet within the larger corporate intranet. Online publishing of employee handbooks, work-related documents and descriptions of department's operations permit employees to review company policies, access job postings and learn about the range of services available from HRM staff.

(c) *Self-service applications:* More dynamic, self-service capabilities materialize as an option later in the HRM-intranet's life cycle. Employee Self-service (ESS) and Manager Self-service (MSS) applications technically became a possibility when originally static HTML applications were enabled to communicate with and affect databases. At that point, HRM service-consumers no longer needed to interact directly with HRM service-providers to update their individual records, register for training, or record performance evaluations. Users are allowed to access differentially configured service bundles based on the organizational position they hold. Web-based and self- service applications have been hailed as a solution to one of the oldest criticisms of the HRM function-lagged response-time due to bureaucratic delay. For example, PeopleSoft's collaborative applications offer more than 140 self-service transactions grouped into ten HR content areas: e-Benets, e-Development, e-Pay, e-Equity, e-Recruit, e-Compensation, e-Prole, e-Recruit Manager Desktop, e-Compensation Desktop, and e-Prole Manager Desktop (PeopleSoft website). Available evidence reveals a sharp increase in the use of ESS and MSS applications, and widespread plans among non-adopters to introduce them over the next few years.

(d) *HRM extranet applications:* HRM extranets essentially act as conduits for electronic commerce between client firms and HR vendors (i.e. a business-to-business (B2B) market for HR services). Two different business models can govern these relationships. In the first one, the HRM department shares workforce data with vendors who use the information to effectively manage HRM services under their stewardship. The second model saddles vendors with broad responsibility for database management and service administration.

(e) *HRM portal application:* HR portals offer a personalized and web-based access point to all information sources, tools and systems needed to effectively consume HR services offered via the Internet. In some instances, employees have the ability to interact directly with external vendors catering to personal needs and interests.

Example: The subscription-based work/life portal managed by Abilizer Solutions is configured to link employees with multiple information channels and over 1,000 E-Commerce vendors for online purchasing. Portals are highly configurable through code modules, called "pagelets" or "applets", that can be added to, or taken from, the entry page users encounter after logging into the system. Multiple sources document both real and planned growth for this HRIT category.

2.3.2 Benefits of E-HRM from these Tools and Software

Benefits of E-HRM from these tools and software are as follows:

1. The generation of HR metrics to support strategic decision-making.

2. The automation of routine HR tasks and replacing "filing cabinets".

3. The branding of organizations.

4. Freeing HR staff from administrative burdens and allowing them to undertake strategic people-management activities.

5. Improving talent management through e-selection, self-assessment, e-performance management.

6. Transforming HR professionals from administrative paper handlers to strategic partners.

2.3.3 Influences of E-HRM on HR Practices

The important influences of E-HRM on HR practices are as follows:

1. *Human Resource Planning:* In relation to HR planning, E-HRM updates employee data, personnel changes and job requisitions. This means that, since employees are given the opportunity to update their personal data, the HR record-keeping gains higher accuracy and data quality.

2. *Human Resources Recruitment:* Online recruitment refers to posting vacancies on the corporate web site or on an online recruitment vendor's' website, and allowing applicants to send their resumes electronically via email or in some electronic format. It also includes the active search of the internet and the location of resumes.

3. *Human Resources Evaluation:* E-HRM allows the whole performance appraisal to be conducted online, on the corporate internet interface. This means that the manager and the employee are able to submit performance data directly to the HR department in electronic form. This practice, though criticized for the lack of written evidence, reduces paperwork and if read receipts for both supervisor and supervised are used, it can impressively decrease time and cost for the HR department.

4. *Communication:* E-HRM includes the use of electronic mail for communication with the personnel. The penetration rate of computer-mediated communication, mainly email, is higher than 75 percent in corporate environments and email has emerged as the communication medium of choice.

5. *Rewarding Human Resources:* Employee self-service allows employees to submit electronically their preferences in terms of benefit selection, reducing the burden for the HR department.

6. *Human Resources Development:* Using the internet in training and development is one of the mostly discussed aspects of E-HR and probably the one with the most potential in terms of cost benefits. The internet can be used in training needs assessment, in pure e-learning activity and in career management.

Technological optimistic voices assume that, from a technical perspective, the IT possibilities for HRM are endless: in principal all HR processes can be supported by IT. E-HRM is the relatively new term for this IT supported HRM, especially through the use of web technology. The major goals of e-HRM are mainly to improve HR's administrative efficiency/to achieve cost reduction.

Next to these goals, international companies seem to use the introduction of e-HRM to Standardize/harmonize HR policies and processes. Finally, e-HRM hardly helped to improve employee competencies, but resulted in cost reduction and a reduction of the administrative burden.

Self Assessment

State whether the following statements are true or false:

7. E-HRM is a concept - a way of 'doing' HRM.

8. Internal organizations such as banks or bonding agencies also are able to verify employees' status or income levels by calling the appropriate numbers.

9. HRM internets essentially act as conduits for electronic commerce between client firms and HR vendors.

2.4 Use of E-HRM Technology

In order to understand how the IT (Information Technology) is used to carry out the various activities of HR, it is significant to think about the following three perspectives:

- e-HRM activities,

- Kind of technological support for E-HRM, and

- User acceptance of the E-HRM technology.

The execution of the E-HRM technology has the effect that particular HR activities are passed to employees and managers and therefore the execution of e-HRM technology affects the division of HR duties and responsibilities. However, it is not clear how this division of responsibilities among HR professionals, employees and managers should be made. It is probable that the firms overall strategy has an effect on the division of the responsibilities. Moreover what activities are offered by way of e-HRM technology, it is also significant to study "how technology is utilised so as to support the activities?" The provision of the activities of Human Resources with the support of E-HRM technologies can take place in dissimilar manners. On one hand, the web based channels can be used for such as the accumulation along with recording of data, and on the other hand, the web-based channels can be used to alter the manner in which the firm operates. The means the e-HRM technology is used identifies the impact of the e-HRM technology and thus very essential to consider.

2.4.1 E-HRM Activities

In E-HRM activities, self-service for employees as well as managers is the major notions of e-HRM. Employees and Managers, when applying the e-HRM web-based technologies, are made accountable for satisfying few activities of the HR function. In such a manner, a new HR architecture is formed. In this, HR architecture depicts to a 'map' of responsibilities of diverse parties for the accomplishment of HR activities. Hence, not every the HR activities are appropriate for self-service of employees and managers, thus in most instances HR strategy is associated with the firm's overall strategy, the IT strategy should be associated with the firm's overall strategy as well. As the overall strategy of the firm has an impact on the selection for particular tools of e-HRM, the strategy of the firm debatably has an impact on the HR architecture design. The utilisation of e-HRM technology also is probable to lead to alterations in time which is spent by HR professional on particular HR activities. This is likely to be caused by the new HR architecture, which segregates the responsibilities of HR over HR professionals, mangers and employees, managers.

Notes In the new, driven by the implementation of e-HRM technologies, HR architecture there is an increased role for managers and employees in the fulfillment of the activities of the HR function.

2.4.2 Time Spent on HR Activities by HR Professionals

The e-HRM technology facilitates employees and managers to make sure of few of the activities that come under the HRM umbrella without the intrusion of an HR professional. This has results for the job profile of the HR professionals. Fewer tasks of administrative for the department of HR and, thus, less administrative places, more focus on strategic objectives of the firm and, hence, an HRM staff comprising mostly of thinkers. The utilisation of E-HRM technology is probable to lead to alterations in the time which is used up by HR professionals on the following activities:

- Supporting employees

- Administration activities

- IT activities

- Strategic activities

- Supporting managers

2.4.3 A New Approach to e-HRM

Information Technology can support HR activities in diverse ways. However, there is no typology on how technology can support E-HRM activities. This could raise the insights in "how the E-HRM technology is utilised within the firm. The typology should facilitate the firm to look for opportunities for the support of technology for E-HRM activities or still benchmark their technology with substitute technologies. Though, there is no typology on E-HRM support, there are few typologies on what firms can attain with Information Technology supporting activities of HR.

Informational e-HRM Support

Informational E-HRM support can be characterized as support which is mainly concentrating on enhancing the operational effectiveness of the system of HR. Thus, this is realized by the mechanization of Human Resource Management (HRM). However, this description is very wide as every kinds of support include an automation part which enhances the effectiveness of the HR system. E-HRM an easy form can be used to notify the HR professionals, managers and employees. Appropriate modifications in policies can be interacted by ways of Information Technology in a cheap proficient method. Digitalising HR data allows online data provision. In this manner, the HR professionals, managers and employees can rapidly get the necessary data. Thus, the technology supports the data provision to the diverse stakeholders as well as records data mutations.

Relational e-HRM Support

While informational e-HRM support is mainly concentrating on giving information to the HR professionals, managers and employees in an effective means so as to diminish the pressure on

the HR department, relational e-HRM support is concentrating on how the technology supports the flow of an HR activity among the HR functions and department. The technology supports the implementation of the particular HR activities and, thus, supports the data flow among the customers of a particular HR activity by way of web-based channels. In such a manner, the technology plays a big role in the support and implementation of the HR activity.

Transformational e-HRM Support

The Information Technology can also support to alter the firm. In such circumstances, there is transformational support of Information Technology. The Information Technology in such conditions concerns the management of people. Information Technology bypasses firm hierarchy and can guide the primary as well as secondary procedures of the firm. In other words, the technology swaps some of the bureaucratic processes of the organization. In this way, the Information Technology supports the HR function in formulating a flexible firm, which can be of value for the firm.

Self Assessment

Fill in the blanks:

10. .... bypasses firm hierarchy and can guide the primary as well as secondary procedures of the firm.

11. .... HR data allows online data provision.

12. The utilisation of E-HRM technology is probable to lead to alterations in the .... which is used up by HR professionals.

2.5 Impact of E-HRM on the Effectiveness of the HR System

The several constituency approach of Human Resource system needs to be useful; it should meet its demands and expectations of the stakeholders. The several constituency approaches, were the Human Resource system should meet the demands and expectations of the stakeholders, is a sign of the efficiency of the Human Resource system.

- At the process level, it is important how different activities are performed.

- At the policy level, there should be consistency of focus, although more research is perceived necessary.

- At the highest level, there should be an integration of the HR strategy with the organization's business strategy.

Effectiveness of the three levels is associated to efficiency of the Human Resource system. Thus, an explanation is prepared on how to determine effectiveness at the three dissimilar levels. Another difference is the dissimilarity among diverse categories of workers. Three types are categorized that is:

- HR professional,

- Manager, and

- Employee.

This difference is formed as the three categories have dissimilar position within the Human Resource system and, thus, can recognize the effectiveness of the Human Resource system in a different way. For example, a Human Resource professional can make out that an activity is well organised whereas the manager who uses such activity is less optimistic.

Thus, the use of E-HRM technology might have an effect on the Human Resource system. This impact can be assessed from two dissimilar aspects, that is:

● Impact of e-HRM on the job of the HR professional.

● Impact of e-HRM technology on the HRM performance.

Moreover, the dissimilarities in viewpoint on the effectiveness of the Human Resource system often differ in the level of analysis of the Human Resource system. Some concentrate on a single Human Resource activity whereas others analyze the Human Resource system as a whole. There are three levels of analysing the Human Resource system and that consideration of all the three levels is important to understand Human Resource Management in practice.

1. *HR Philosophy:* The HR philosophy is a statement of how the firm looks upon its Human Resource, what role the resources play in the overall accomplishment of the company, and how they are to be managed and treated? Thus, it is a very common statement that can be communicated and executed in diverse manners and can be found in the firm's "statement of business value". However, it does not explain how and which activities should be carried out for managing the Human Resource.

2. *HR Policies and Programs:* In this context, an HR policy does not denote an HR policy manual. The HR policies do not include rules depicting the HR activities to be carried out. However, they, give instructions flowing from the strategic business requirements to support the diverse HR activities to make an HR system which adds to the similar business desires. HR programme are the efforts that should be undertaken to support these HR activities. Therefore, the HR policies give guidelines for HRM matters which are linked with the strategic requirements of the firms and HR programs signify synchronized efforts to execute these policies associated to the strategic wants.

3. *HR Practices and Processes:* The HR practices explain how behaviour of workers can be aimed at so as to contribute to firm's performance. They depict what the system of HR should try to attain with the workers? Thus, three roles are essential to attain the right behaviour of workers. Such as:

   (a) Operational role

   (b) Managerial role

   (c) Leadership role

These above roles include statements about what the system of HR should attain. A statement from the role of managerial could be such as "Give people the freedom they require to carry out their jobs". This level explains actual practices of HR executed in particular conditions and improves accuracy in measurement. The HR procedures area deals with "how" all other activities of HR are recognized, formulated, and executed. Where HR practices are utilised to bring out and strengthen required behaviours by employees. HR procedures describe how activities are to be carried out while keeping in mind these levels of analysis which is significant to understand the use as well as efficiency of human capital management systems. If, for example, the focus lies on the philosophy of HR then it improves generalizations but it decreases the accuracy by ignoring differences in HR system executions.

Caution Focusing solely on HR practices enhances the accuracy in measurement but neglects the importance of other HR practices that are also used.

The system of HR at the level of HR philosophy is efficient when there is an association of the HR strategy with the firm's overall strategy. The utilisation of E-HRM technologies is reliant on

the strategy of the firm. The uniqueness and value of an HR activity were recognized as determinants for mapping the activities of HR in the HR architecture of responsibilities. When the HR activities are mapped, an alternative for the release of an HR practice should be made along with giving an HR activity by way of web-based-channels. The uniqueness and value in this manner have an effect on what activities are offered by way of web-based-technologies and an association of the E-HRM technology with the firm's strategy that is to be realized. Therefore, the use of e-HRM technologies is likely to give to the alignment of the strategy of HR with the firm's overall strategy.

E-HRM applications have a significant positive effect on the effectiveness of HRM activities. This means that deploying E-HRM tools impacts on the effectiveness of HRM activities indirectly. For implementing E-HRM tool, first we must identify the goals and strategies of E-HRM and then provide the infrastructure in organization such as information technology and telecommunication systems. It is essential to consider the limitations of implementing E-HRM such as hardware, software, employees' skill and financial capabilities.

Task What E-HRM with respect to its challenges opportunities and shortcoming in contemporary organization?

Self Assessment

State whether the following statements are true or false:

13. Effectiveness of the two levels is related to effectiveness of the HR system.

14. At the policy level there should be an integration of the HR strategy with the organization's business strategy.

15. The HR policies do not contain rules prescribing the HR activities to be performed.

Case Study **Smiths Turns to Cloud to Boost Workforce Talent**

Smiths Group, the £5bn engineering conglomerate, is aiming to raise the skill levels of its workforce and cut millions of pounds a year from its human resources (HR) costs by rolling out a cloud-based HR service.

The service will free up Smiths' HR staff from day-to-day administration to focus on developing the talent of the workforce – a move that is crucial if the business is to compete internationally, the company said.

Smiths plans to roll out the Global view HR system from ADP across 140 business units worldwide by early 2012, providing it with a single system to manage HR across the group.

"It will enable us to compete in the market for talent more effectively," said Brian Jones, CIO of Smiths Group, in an interview with Computer Weekly. "We will be able to anticipate trends and to make resource allocations better."

The group's businesses – which include Smiths Detection, which makes airport scanners, John Crane, which provides components for the process industries, and Smiths Medical - have grown up with a mixture of HR systems, ranging from advanced IT systems to hard

Contd...

copy data kept in desk drawers. But it has no easy way of gathering accurate data on its employees across the business.

"How many people did we have in a particular country? What was the age profile of our research and development people, so we could ensure we had enough apprentices coming in? These were very difficult questions to answer," said Jones.

"We will be able to cross-pollinate talent more easily, so if someone is a very good supply chain person in one business, there may be an opportunity for them in another business that they previously might not have known about," he added.

Replacing Inefficient HR Systems

Smiths began the project after commissioning consultants to benchmark its existing HR systems. The study showed the HR function was not creating the value it should, and was not as cost-effective as it should have been, Jones revealed.

"We have a lot of very good HR people. The problem was they were spending too much of their time on day-to day-administration," he said.

Cloud system will allow Smiths HR staff to focus on developing talent (Source: Brian Jones/HR Tech Europe)

The HR and IT teams worked together to find an IT solution that could cover the group's business operations worldwide.

"We already had a reasonable Oracle HR system, and we considered rolling that out, but there were problems associated with that and the effort involved," said Jones.

"I was making a judgement about our ability to pull it off successfully, and I thought it was high risk," he said.

Smiths assessed other HR suppliers before opting for a software-as-a-service (SaaS) HR service from ADP. The company already provided Smiths' payroll services.

"We had that relationship already, and ADP was at a point in its evolution where it was looking to expand its presence in core HR systems. It is a highly reputable company, with a great track record, and it really wanted to work closely with us," said Jones.

As a result, Smiths was able to secure better commitment and value from ADP than it might have done with another supplier, he said.

"Today for a CIO, a lot of the core skill has to be about punching above your weight in the marketplace to get more out of your suppliers than the next CIO," he added.

Smiths awarded the contract to ADP in March 2011. It set up an eight-strong project team made up of staff from Smiths and ADP, to roll out the project - dubbed Magellan, after the first explorer to circumnavigate the globe.

"One of the challenges was getting the team members to interoperate. It seemed to take a little while," said Jones. "The project director did a great job there. We used a system for tracking based on Microsoft Sharepoint, which everyone contributes to and we kept pushing."

The biggest challenge, said Jones, was ensuring Smiths complies with complex data protection regulations in each country.

"You have to get approvals and permissions, and you have to consult in different ways in different companies. Some countries have works councils and some don't. You have to do it right," he said.

data privacy. It was just really grunt work, getting everything in place, ticking every box," he said.

Smiths is collecting HR data to populate Globalview, and aims to begin testing early 2012.

Jones plans to add in further modules, to manage employee remuneration and reward once the system goes live in April 2012.

"Essentially, it is about providing the business with information insights. For a CIO that is El Dorado. You can see a direct connection between the information insights you provide the enterprise, and creation of value," he said.

Questions:

1.   Study and analyze the case.

2.   Write down the case facts.

3.   What do you infer from it?

Source: http://www.computerweekly.com/news/2240110390/Case-study-Smiths-turns-to-cloud-to-boost-workforce-talent

2.6 Summary

- E-HRM is the (planning, implementation and) application of information technology for both networking and supporting at least two individual or collective actors in their shared performing of HR activities.

- E-HRM is a way of implementing HR strategies, policies, and practices in organizations with the full use of web-technology-based channels.

- "E-HRM" is typically defining as the use of computer systems, interactive electronic media, and telecommunication networks to carry out the functions of the human resources management department.

- E-HRM managers always strive to provide a seamless integration of all HRM services with a common goal of employee satisfaction.

- E-HRM is a way of thinking about and implementing HRM strategies, policies, and practices. Organizations attempt to achieve certain objectives by following a specific E-HRM direction.

- The various goals of E-HRM and the different types of E-HRM are expected to result in outcomes including more efficient HRM processes, a higher level of service delivery and a better strategic contribution.

- Virtual HRM is relevant to telecommuters who work out of their virtual home office.

- E-Performance, a web-based tool, has been designed to make your performance reviews easier than ever.

- The applications of E-HRM provide a variety of automated HR activities that increase the HR function with flexibility and ease of use.

- The e-HRM business solution is designed for human resources professionals and executive managers who need support to manage the work force, monitor changes and gather the information needed in decision-making.

- E-HRM is the relatively new term for this IT supported HRM, especially through the use of web technology.

- The major goals of e-HRM are mainly to improve HR's administrative efficiency/to achieve cost reduction.

2.7 Keywords

Electronic Human Resource Management (E-HRM): E-HRM is the (planning, implementation and) application of information technology for both networking and supporting at least two individual or collective actors in their shared performing of HR activities.

E-Performance Management: E-Performance is a web-based tool which has been designed to make your performance reviews easier than ever.

E-Skill Management: E-skills module allows for the management of the competency acquisition process and on-the-job-training in compliance with the Skills Development Act recommendations.

E-Training Management: E-training management provides the facility to capture course information, book employees on specific courses and record individual training history.

Globalization: Globalization is the free movement of goods, services and people across the world.

Human Resource Information System (HRIS): A HRIS, or Human Resource Information System, is a software solution for small to mid-sized businesses to help automate and manage their HR, payroll, management and accounting activities.

Information Technology (IT): Information technology is the use of computers and networks to store, process, and receive data.

Networked Organizations: A group of legally independent companies or subsidiary business units that use various methods of coordinating and controlling their interaction in order to appear like a larger entity.

Operational E-HRM: Operational E-HRM concerns the basic HR activities in the administrative area.

Processes Re-engineering: Business process re-engineering (BPR) is the analysis and redesign of workflow within and between enterprises.

Transformational E-HRM: Transformational e-HRM concerns with the activities regarding organizational change processes, strategic reorientation, strategic competence management, and strategic knowledge management.

Typology: Typology is a method of biblical interpretation whereby an element found in the Old Testament is seen to prefigure one found in the New Testament.

2.8 Review Questions

1. Define Electronic Human Resource Management (E-HRM).

2. Discuss the objectives of E-HRM.

3. Highlight various types of E-HRM.

4. What is virtual HRM department?

5. Describe various electronic HRM functions.

6. Write brief note on software targeting HRM staff as end users.

7. Explain Interactive Voice Response (IVR) systems.

8.   Elucidate the benefits of E-HRM.

9.   Discuss the use of E-HRM technology.

10.   Explain the impact of E-HRM on the effectiveness of the HR system.

Answers: Self Assessment

1.   False

2.   True

3.   False

4.   E-Performance

5.   Recruiting

6.   E-skills

7.   True

8.   False

9.   False

10.   Information Technology

11.   Digitalising

12.   Time

13.   False

14.   False

15.   True

2.9 Further Readings

Books

Aswathappa, K. (2007), "*Human Resource and Personnel Management*, Tata McGraw Hill.

Bhattacharyya, D. K. (2006), *Human Resource Management*, Excel Books.

Mathis, Robert L & Jackson, John H. (2007), *Human Resource Management*, Thomson.

Rao, P. L. (2004), *Comprehensive Human Resource Management*, Excel Books.

Rao, VSP (2005), *Human Resource Management*, Excel Books.

Online links

http://ieeexplore.ieee.org/xpls/abs_all.jsp?arnumber=4608909

http://repository.binus.ac.id/content/F0204/F020435668.pdf

http://www.ekonomie-management.cz/download/1331826738_3ec7/04_alwis.pdf

http://www.hrmboard.com/e-human-resources-management-3.html

http://www.pinnaclejournals.com/setup/socialscience/paper10.pdf

http://www.srlst.com/ijist/ijism-Vol6No2/ijism62-79-98.pdf

http://www.whatishumanresource.com/e-hrm

Unit 3: Job Designing

CONTENTS

Objectives

Introduction

3.1 Job Design: An Overview

    3.1.1   Objectives of Job Design

    3.1.2   Importance of Job Design

    3.1.3   Factors Affecting Job Design

    3.1.4   Benefits of Job Design

    3.1.5   Designing Jobs – Motivating Jobs

3.2 Steps in Job Design

3.3 Techniques of Job Design

3.4 Issues in Job Design

3.5 Summary

3.6 Keywords

3.7 Review Questions

3.8 Further Readings

Objectives

After studying this unit, you will be able to:

- Discuss an overview of Job Design

- Describe the steps in Job Design

- Explain the techniques of Job Design

- Describe the issues in Job Design

Introduction

In the previous unit, we dealt with the meaning, functions, applications, use and impact of E-HRM. "Work" is an organization's basic function. Organization is the strength of any business. The more organized and efficient the different components in the business are, the better it functions and produces. Breaking down tasks associated with each component in the system has led to the concept of job design. Job design came about with rapid technological advancements at the turn of the 20th century when mass production and assembly line operations emerged. As jobs continue to become more sophisticated and specialized, the need for an educated and motivated workforce has become indispensable. The purpose of this unit is to enable the students to comprehend basic expressions. At the end of this unit, you should be able to understand the meaning, steps, techniques and issues involved in job design.
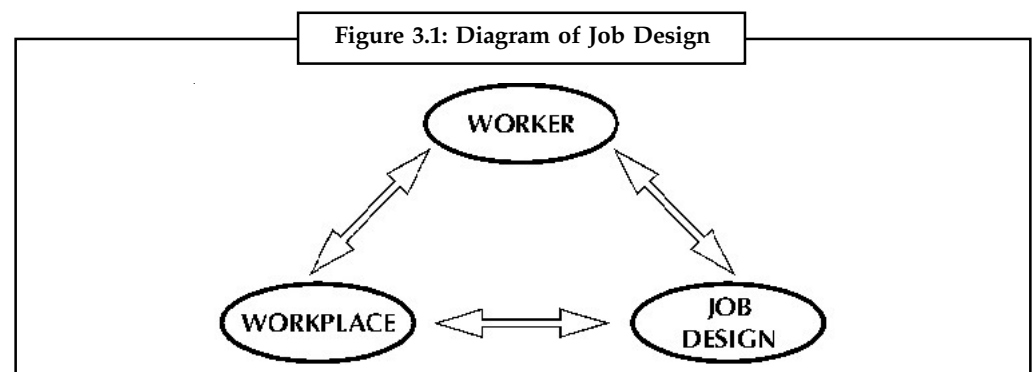
3.1 Job Design: An Overview

A job can be defined as the set of tasks and responsibilities of a worker. These tasks and responsibilities, along with performance expectations, work conditions (time and place of work), general skills, and possibly methods to be used, are normally contained in a written job description. There is no set formula for designing jobs that will best fit a production system. Job design is the consciously planned structuring of work effort performed by an individual or a team of persons. There is increasing evidence that poorly designed jobs are a pervasive social problem affecting the mental and physical health of the worker both on and off the job.

Job design means to decide the contents of a job. It fixes the duties and responsibilities of the job, the methods of doing the job and the relationships between the job holder (manager) and his superiors, subordinates and colleagues. Job design also gives information about the qualifications required for doing the job and the reward (financial and non-financial benefits) for doing the job. Job design is mostly done for managers' jobs. While designing the job, the needs of the organisation and the needs of the individual manager must be balanced. Needs of the organisation include high productivity, quality of work, etc., needs of individual managers include job satisfaction. That is, they want the job to be interesting and challenging. Jobs must not be made highly specialised because they lead to boredom.

Notes Job design helps to determine: What tasks are done, how the tasks are done, how many tasks are done, and in what order the tasks are done. It takes into account all factors which affect the work, and organizes the content and tasks so that the whole job is less likely to be a risk to the employee.

The objective of job design is, therefore, to develop work assignments that meet the requirements of the organization and the technology, and at the same time also satisfy the personal and individual requirements of the job holder. Job designing is basically related to the worker and its working place which is shown in Figure 3.1.

Figure 3.1: Diagram of Job Design

Source: http://actrav.itcilo.org/actrav-english/telearn/osh/ergo/ermain.htm

Job design follows job analysis, i.e., it is the next step after job analysis. It aims at outlining and organising tasks, duties and responsibilities into a single unit of work for the achievement of certain objectives. It also outlines the methods and relationships that are essential for the success of a certain job. In simpler terms, it refers to the what, how much, how many and the order of the tasks for a job/s.

Job design essentially involves integrating job responsibilities or content and certain qualifications that are required to perform the same. It outlines the job responsibilities very

clearly and also helps in attracting the right candidates to the right job. Further, it also makes the job look interesting and specialised.

The main purpose of job design (or re-design) is to increase both employee motivation and productivity. Increased productivity can manifest itself in various forms.

Example: The focus can be that of improving quality and quantity of goods and services, reduce operation costs, and/or reduce turnover and training costs.

One of the most fundamental considerations behind job design is the tasks that need to be completed. The organization needs to consider the most efficient manner in which it is able to meet performance standards and obligations. When separating tasks into a variety of different job positions, it considers how the tasks will be completed, what tasks will be performed, how many will be completed in each job position and the order in which the worker will complete them.

Example: A food manufacturer who employs a direct sales team might combine selling, delivery, ordering and merchandising tasks into one position in order to decrease labour costs and increase customer service satisfaction. It may or may not decide that a separate position needs to be created to load and unload the delivery trucks in order to increase the productivity of its sales representatives.

3.1.1 Objectives of Job Design

There are clearly many alternative designs for any given job. For this reason, an understanding of what the job design is supposed to achieve is particularly important. As before, the following performance objectives give us a guide to what is relevant in job design decisions.

1. *Quality:* The ability of staff to produce high-quality products and services can be affected by job design. This includes avoiding errors in the short term, but also includes designing jobs which encourage staff to improve the job itself in such a way as to make errors less likely.

2. *Speed:* Sometimes speed of response is the dominant objective to be achieved in job design. For example, the way in which the jobs of emergency service personnel are organised (the range of tasks for which they are trained, the sequence of activities in their approved procedures, the autonomy which they have to decide on appropriate action, and so on) will go a long way to determine their ability to respond promptly to emergencies and perhaps save lives.

3. *Dependability:* Dependable supply of goods and services is usually influenced, in some way, by job design.

Example: In the postal services' working arrangements, multi-skilling, accurate use of sorting equipment through good staff-machine interface design, and the 'design' of postal staff's clothing, can all aid dependable delivery of letters and parcels.

4. *Flexibility:* Job design can affect the ability of the operation to change the nature of its activities. New product or service flexibility, mix flexibility, volume flexibility and delivery flexibility are all dependent to some extent on job design.

Example: Staffs who have been trained in several tasks (multi-skilling) may find it easier to cope with a wide variety of models and new product or service introductions.

5. *Cost:* All the elements of job design described above will have an effect on the productivity, and therefore the cost, of the job. Productivity in this context means the ratio of output to labour input.

Example: The number of customers served per hour or the number of products made per worker.

6. *Health and safety:* Whatever else a job design achieves, it must not endanger the well-being of the person who does the job, other staff of the operation, the customers who might be present in the operation, or those who use any products made by the operation.

7. *Quality of working life:* The design of any job should take into account its effect on job security, intrinsic interest, and variety, opportunities for development, stress level and attitude of the person performing the job.

3.1.2 Importance of Job Design

Job design is a very important function of staffing. If the jobs are designed properly, then highly efficient managers will join the organisation. They will be motivated to improve the productivity and profitability of the organisation. However, if the jobs are designed badly, then it will result in absenteeism, high labour turnover, conflicts, and other labour problems. Good job design increases the value of the position to the organisation, engages the worker and reduces individual and organisational risk. It leads to greater organisational effectiveness and efficiency and better results from employees. Key importance can be seen from the organisation and employees point of view:

Importance towards Organisational	Importance towards Employee
Increased productivity and efficiency	Greater clarity of work role, purpose and accountabilities
Less need for close staff supervision, checking and control	Shared understanding of work expectations with supervisor
More effective work teams	Good team cohesion as roles, relationships and resources are clearly defined
Skilled, flexible, responsive and able workforce to meet work requirements	Varied work and challenges, opportunity to develop work skills, flexibility and experience
Targeted training to maximise value from training investment	Targeted training to meet current and future job needs
Improved talent management and succession planning	Better career pathways and developmental opportunities
Safer and healthier workplace	Support for work/life balance
Improved employee attraction, engagement and retention	Increased job satisfaction and engagement

Source: http://www.pscapabilities.nsw.gov.au/managers/job-design-description/why-is-job-design-important/

3.1.3 Factors Affecting Job Design

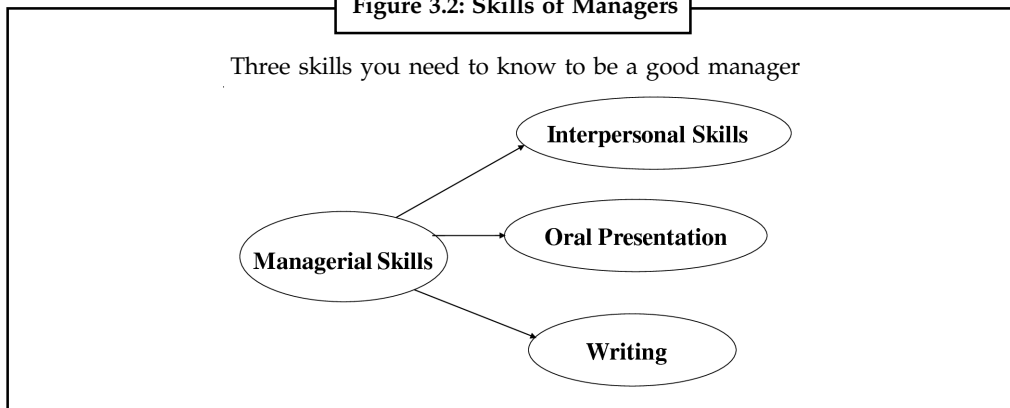The guidelines influencing or factors affecting job design are depicted below:

1. *Proper scope of job:* The scope of the job should be proper. If the scope is narrow (less), then the job will not be challenging. It will not give an opportunity for development. The manager will not get satisfaction after completing an easy job.

⚠️

Caution If the scope of the job is very wide, then the manager will not be able to handle it properly. This will cause stress, frustration and loss of control. Therefore, scope of the job must be balanced and proper.

2. *Full-time challenge of the job:* The job should be so challenging that it takes up the full-time and effort of the manager. So, the service of the manager must be fully utilised. If not, the manager will have a lot of free time. He will use this free time to interfere in the work of his subordinates. This will cause problems and conflicts because subordinates do not like unnecessary interference from their superiors.

3. *Managerial skills:* The skills of the manager should be considered before designing his job. All managers do not have equal skills. So, jobs should be designed after considering the skills of the manager. So, a manager having a high level of skill should be given very challenging jobs while a manager having a low level of skill should be given fewer challenging jobs. Jobs must be made flexible so that it can be changed according to the skills of the manager.

Figure 3.2: Skills of Managers

Three skills you need to know to be a good manager

Interpersonal Skills

Managerial Skills → **Oral Presentation**

Writing

Source: http://www.docstoc.com/docs/77241713/Managerial-Skills-Ppt

Thus, the three important skills required by the manager are interpersonal skills, verbal or oral presentation skills and writing skills. All these skills are necessary for the smooth functioning of the organization.

4. *Organisation's requirements:* Jobs must be designed according to the requirements of the organisation. We cannot use the same job design for all organisations.

5. *Individual likes and dislikes:* People have different likes and dislikes. Some people like to work alone while some people prefer to work in groups. Some people want to do only planning and decision making while other people like to implement these plans and decision. So, individual likes and dislikes must be considered while designing the job.

6. *Organisational structure:* Organisational structure also affects the job design. Individual jobs must fit into the organisation's structure. An organizational structure is a diagram that depicts the structure of an organization in terms of relationships among personnel or departments. An organizational chart also represents lines of authority and responsibility. Generally, an organizational chart is a horizontal or vertical tree that contains geometric shapes to represent staff or divisions. The lines that connect the shapes indicate relationships between the positions. An organizational chart indicates the formal structure of a business or company.

7.   *Technology:* The level of technology used by the organisation also affects the job design. An organisation having a high level of technology will have different job designs compared to an organisation having a low level of technology.

3.1.4 Benefits of Job Design

The following are the benefits of a good job design:

1.   *Employee Input:* A good job design enables a good job feedback. Employees have the option to vary tasks as per their personal and social needs, habits and circumstances in the workplace.

2.   *Employee Training:* Training is an integral part of job design. Contrary to the philosophy of "leave them alone' job design lies due emphasis on training people so that are well aware of what their job demands and how it is to be done.

3.   *Work/Rest Schedules:* Job design offers good work and rest schedule by clearly defining the number of hours an individual has to spend in his/her job.

4.   *Adjustments:* A good job designs allows for adjustments for physically demanding jobs by minimising the energy spent doing the job and by aligning the manpower requirements for the same.

Notes Job design is a continuous and ever evolving process that is aimed at helping employees make adjustments with the changes in the workplace. The end goal is reducing dissatisfaction, enhancing motivation and employee engagement at the workplace.

3.1.5 Designing Jobs – Motivating Jobs

The concept of motivating jobs relates to Job design. Job design affects employee productivity, motivation and satisfaction. Job design is a conscious effort to organize tasks, duties and responsibilities into a unit of work to achieve certain objectives. How a job design creates a motivating job can be seen with the help of certain components of job design, namely, job rotation, job enlargement, job enrichment, work simplification etc. Work simplification simplifies the job by breaking down the job into small parts. Simplified jobs are easy to perform hence employees find it easy to do. Training requirements are reduced and it benefits the organizations in terms of cost. Job rotation means movement of employees of job to job across the organization. It improves the intrinsic reward potential of a job because of different skills and abilities are needed to perform a job. Workers become more competent in several jobs rather than only one. It also improves workers self image, provides personal growth and makes workers more valuable to the organization. Periodic job change can improve inter-departmental cooperation. Employees become more understanding to each other's problems.

Consequently, it provides a high level of motivation to employees because jobs itself become motivators. Hence, job rotation helps the job become more motivating. Job enlargement involves expanding number of tasks or duties assigned to a given job. Job enrichment involves improving task efficiency and human satisfaction. Job enrichment provides greater scope for personal achievement and recognition, more challenging and responsible work and more opportunity for individual advancement and growth. An enriched job gives vertical enrichment in the form of more responsibility and autonomy and a horizontal enrichment in the form of variety of tasks and more growth opportunities. The employee does more planning and controlling with

less supervision but more self-evaluation. All these factors lead to increased level of motivation and hence make the jobs more motivated. Considering above examples, we can say that designing jobs is actually using the relevant and right techniques of job design, like rotation, enrichment, simplifications and make the jobs more motivating to perform. So we can say that Designing Jobs is actually creating Motivated Jobs.

An employer may incorrectly assume that money is the sole motivator for their employees. For many people, job design is as important as fair remuneration in motivating employees to be more effective. Job design has an influence on employee motivation, job satisfaction and commitment to their organisation, all of which have a significant impact on the efficiency of your business.

Jobs are often designed in a way that encourages specialisation. Work is divided into specific tasks, with the employee assigned to each task becoming very skilled, accurate and efficient at performing it. However, an often overlooked problem with specialisation is that it generally has a negative impact on employee motivation.

Whilst an employee may become very efficient and skilled at completing a repetitive task, the lack of variety in their day can lead to boredom and a feeling of detachment from the overall goals and success of the business. They feel that as long as they complete their job satisfactorily, there is no need to be concerned with any other aspect of the business.

A possible solution to this problem involves providing employees with more variety in their work. One technique to do this is introducing job rotation, where employees move between different jobs periodically. Not only will this reduce the monotony of their work, but it will develop a team with a wider range of skills.

Another way to improve employee motivation is through job enlargement. This is where employees are gradually provided with more challenging work and greater responsibility. Whilst you may think this would have the opposite effect, many employees enjoy learning new things and will get more fulfilment from their work if they are given extra responsibility. This also helps you to increase the skill level of your team.

Job enrichment is another motivational technique that you may want to consider. It involves providing employees with more control over the work they do. By providing them with more authority and responsibility, it may encourage them to seek out better and more efficient ways to accomplish their task, leading to a potential increase in productivity. The more interesting a person's job is, the more likely they will be motivated to apply effort and maximise their productivity. The job characteristics model helps to explain the benefits of job design.

Core Job Characteristics:

- Skill Variety
- Task Identity
- Task significance
- Autonomy
- Feedback

Outcomes:

- Motivation
- Performance
- Satisfaction

- Reduced Absenteeism

- Turnover

Psychological States:

- Meaningful

- Responsibility

- Knowledge of results

The core job characteristics will enhance employees' job satisfaction and motivation, potentially leading to better outcomes for your business. Well-designed jobs that don't invoke boredom and which increase the job satisfaction of your employees may help you to improve efficiency, productivity and morale within your business. In turn, this could lead to less staff turnover, absenteeism and potentially make your business more profitable.

Task How can job design help with the organization of work?

Caselet

A Call Center "The Impact of Workstation Design and Work Tools on Performance"

A consumer retailer with call centers in the Midwest wanted to examine the relationship between workstation features in those facilities and the comfort and performance of its Customer Service Representatives (CSRs).

The Challenge

Customer service representatives spend virtually all of their work time within their workstations. They have high workload demands that require accuracy and speed, but they also have limited control over their work process. These job characteristics put them at risk for various health problems and can limit their performance. Since the health and performance of these employees has a direct impact on customer satisfaction, retention and company profits, even a small improvement in their effectiveness can have a significant influence on business success. The retailer viewed this project as an opportunity to understand how workstation design features affect CSR performance and determine how best to optimize its spaces.

Site Description

Two company-owned call center facilities participated in this study. The work processes, technology system and size and demographics of the employee populations were similar at both locations. The primary function of the CSR jobs at these call centers was to take merchandise orders over the phone and process the orders at a computer. Workstations at both sites used a 48 square foot layout with panel-based systems furniture. However, at one of the locations the workstations had 84" panel heights and the other location used a 62" panel height. The original intention of the site with the higher panel heights was to provide greater acoustic privacy for CSRs. At both sites, the workstations used a variety of task chairs and work tools: monitor height supports, keyboard and mouse trays, paper

Contd...

racks with movable shelves and trays, and adjustable task lights. But there was no set standard for the seating or work tools, and use of them varied widely at both locations.

Air was pooling at the tops of the workstations and was not circulating properly. Although our analysis revealed that poor air quality was the direct cause of the physical and visual discomfort problems, the situation was exacerbated by the high panel heights. The greater control employees have over the adjustment of interior workstation features, the lower the stress they experience. These features included: task chair, lighting, display shelves, storage, keyboard and mouse trays, and monitor arms. The more effectively the interior workstation layout supports the work process, the greater the job satisfaction. We found that interior workstation features such as amount of space, arrangement of furniture/ equipment, storage capacity and accessibility to reference materials influence the quality of the work process, which in turn affects job satisfaction.

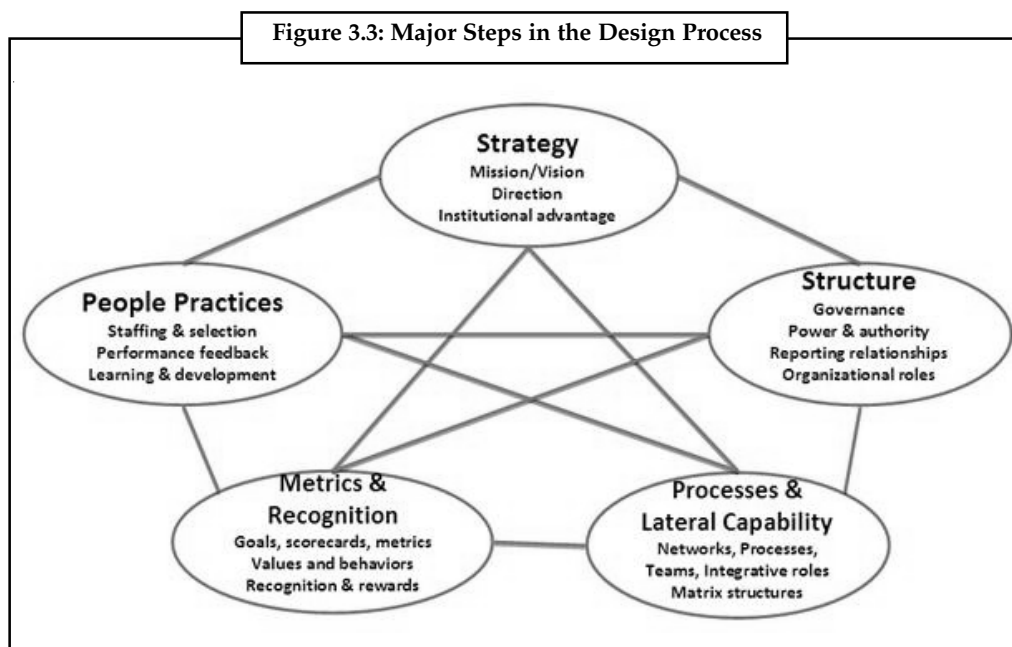*Source:* http://www.knoll.com/research/downloads/CallCenterCaseStudy.pdf

Self Assessment

State whether the following statements are true or false:

1. Job design means to decide the contents of a job.

2. Job analysis follows job design.

3. Job design cannot affect the ability of the operation to change the nature of its activities.

4. Job design is a very important function of staffing.

3.2 Steps in Job Design

Overview of the major steps in the design process which is shown in Figure 3.3 is as follows:

Figure 3.3: Major Steps in the Design Process

Source: http://gbr.pepperdine.edu/2010/08/organizational-design-and-implementation/

1. *Setting the Stage:* If you have done a thorough job in the "Getting Started" phase, setting the stage for the process to officially begin-in the eyes of the organization-becomes much easier. Here you need to communicate where the organization is headed long-term to all employees.

   ❖ Communicate widely and prolifically the vision, long-term strategies, competitive climate, and customer needs.

   ❖ Communicate the values and culture you desire and do so in a way that demonstrates those values.

   ❖ Design the data-gathering process and declare to all that you will be looking at the organization and how it needs to change.

   ❖ Discuss the benefits and difficulties involved in the change process.

   ❖ Establish the initial design and data-gathering teams.

   ❖ Determine the information you need, who possesses that information, and how the information will be used.

   ❖ Determine who needs to be involved in analyzing the information. Initial teams are usually at the senior management level. Let people know your intention to involve as many people as possible and share with them the membership and purpose of the design teams and the initial data gathering.

   ❖ Establish expectations for ongoing communication, and communicate the philosophy for staffing the organization.

2. *Gathering the Data-Internal Assessment:* Using a combination of survey and group interview techniques, gather information on the effectiveness of the current organization. Solidify the scope of the data-gathering process-will you gather information from all employees? Data required usually includes but is not limited to the following: core processes and their effectiveness, additional customer data, critical tasks or key activities, work load, roles and responsibilities, decision-making authority, qualitative data on management practices, and internal issues and suggestions for improvement.

   Utilize the team in the analysis of the data and assess the gap between what you know and your vision of the future. At this time, our assumption is that there will be a design change so that all elements of broader effective change management processes need to be incorporated.

   ⚠

   Caution Consider the current culture, how change has been implemented in the past, and how it has been received by employees at all levels. Based on your gap analysis, determine if additional process improvement teams need to be established to change core processes. If so, identify and launch necessary teams.

3. *Designing the Organizational Transformation:* Based on your gap analysis, determine the criteria for success for your design goals. Explore the pros and cons of various models or approaches. (It is at this stage that the consultant's design expertise is especially beneficial). The organizational model you choose to drive your organization begins to influence the steps in the design process. You may be designing "units" that may be replicated throughout the organization or you may be designing the senior management structure, including roles and skills required. Regardless, the team is usually building the overall management structure of the new organization including decision-making level, scope, high level skills, knowledge required, roles, and leadership approach that will reflect the values and envisioned culture of the new organization.

Did u know? Several decision points emerge-how far down the management hierarchy should the team "draft" the structure? Should staffing selections at the strategy level be made prior to going any further in the design process? Our experience suggests that filling the senior positions in the new structure and including any new leaders in the remaining design effort is a more effective process. This requires that senior positions be developed more fully prior to moving forward.

After selections are made, providing support for those who may no longer hold a position at the senior level is also essential. (Assessing any potential "fall-out," new resources/ people required, or overall impact of the proposed change now becomes a regular part of the process). Remember to communicate where you are in the organizational design process to all employees. Based on the organizational design model chosen, continue to build an organizational chart that describes, in general, the overall structure. The organizational chart reflects reporting relationships, broad job responsibilities, and the job skills/knowledge/experience required. You now have an overall picture of the organization and staffing decisions made at the senior level. Incorporate updated information from core process improvement teams into the organizational design. Continue communicating to a broader group by testing out the model and proposed process changes in staff meetings or dedicated organizational design meetings.

4. *Implement and Evaluate:* Job design and talent choices are the most critical part of this stage. How have the jobs in the new organization changed? To what degree have they changed? Are there incumbents who would see the jobs in the new organization as "the same" as the old ones? Critical to effective selection is an accurate assessment of the degree to which positions have changed. More often than not, the current practice for selection is to have employees interview for the new or changed jobs for all positions below senior management. Although this minimizes employee relations issues, this approach may not be the most effective process. Our experience suggests that "placing" people in the new or changed positions has a great deal of merit; to do so usually requires due diligence in assessing employees' experience, skill, knowledge, and potential.

The ideal approach is to discuss changes throughout the process. Test out your ideas, solicit the views of others, and understand their interests. The intent is to make this part of the process more about creating choice rather than one of arbitrary selection. This means designing jobs and selecting individuals to fill them simultaneously. Begin by forming a template for the job and engage the job candidates in finalizing the job requirements. Participative planning minimizes resistance and creates a more amenable outcome.

Caution As you are staffing the organization, the elements to be addressed in a change implementation plan become more apparent. Your plan needs to include an impact analysis-that is, how have your proposed changes impacted the current organization? (Remember, most people will have concerns about the pending changes even if the drivers of the change see the changes as positive.) How have the people been impacted? How will they see the changes? If you have been as inclusive as the authors think you need to be, you will already know the answer to these questions.

In the change plan include: staffing and selection requirements, new skills needed, recruiting needs, technology requirements, outplacement needs, training and development needs, a phased implementation strategy, ongoing communication avenues, facilities requirements, resource requirements, and evaluation process.

Organizational design, when done well, has a flow. It begins with a general view and gradually tests that view by creating more and more specific descriptions of what will go on in the new organization. Because design changes impact so many people and can make them feel powerless, we encourage you to take great care in managing the design flow. The process must value the contribution of all those impacted. We also caution you that the process is not linear or mechanical. It cannot be forced. It is more like a puzzle. If you know and have all the pieces, careful consideration of each one will help you create a picture that is rewarding to all involved.

Self Assessment

Fill in the blanks:

5. If you have done a thorough job in the .... phase, setting the stage for the process to officially begin-in the eyes of the organization-becomes much easier.

6. After .... are made, providing support for those who may no longer hold a position at the senior level is also essential.

7. As you are staffing the organization, the elements to be addressed in a change .... plan become more apparent.

8. ...., when done well, has a flow.

3.3 Techniques of Job Design

Basically, there are four techniques used in the designing of jobs. These include job simplification, job enlargement, job enrichment and job rotation.

Figure 3.4: Diagram of Job Enrichment, Job Enlargement and Job Rotation
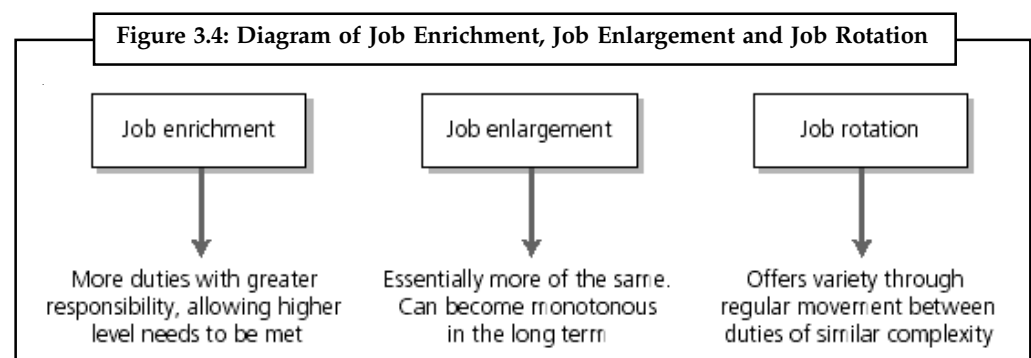
Source: http://www.examstutor.com/business/resources/studyroom/people_and_organisations/ motivation_old/3_motivating_people_in_practice.php?style=printable

The description of the techniques of job design that is job enrichment, job enlargement and job rotation which is shown in Figure 3.4 are as follows:

1. *Job/Work Simplification:* Job simplification is a design method whereby jobs are divided into smaller components and subsequently assigned to workers as whole jobs.

   Simplification of work requires that jobs be broken down into their smallest units and then analysed. Each resulting sub-unit typically consists of relatively few operations. These subunits are then assigned to the workers as their total job. In work simplification, the complete job is broken down into small sub ports, usually consisting of few operations. This is done so that employees can do these jobs without much specialised training. Many small jobs can also be performed simultaneously so that the complete operation can be done more quickly. Time and motion studies are often used for work simplification.

There appears to be two major advantages in using job simplification. Firstly, since the job requires very little training, they can be completed by less costly unskilled labour. Secondly, job speed increases because each worker is performing only a small portion of the previously large job and, thus, is able to master a smaller, less complicated job unit.

On the negative side, job simplification results in workers experiencing boredom, frustration, alienation, lack of motivation and low job satisfaction. This, in turn, leads to lower productivity and increased cost.

Example: Many fast food restaurants such as McDonald's Burger king and Nirula's use simplification because employees can learn tasks rapidly. Short work cycles allow task performance with little or no mental effort and low skilled and low paid employees can be hired and trained easily.

2. *Job Enlargement:* Job enlargement is the process of adding new challenging tasks and activities to existing jobs in order to extract maximum skills from employees. Job enlargement expands job horizontally. It increases job scope; that is, it increases the number of different operations required in a job and the frequency with which the job cycle is repeated. By increasing the number of tasks an individual performs, job enlargement, increases the job scope, or job diversity.

Example: A mail sorter's job could be enlarged to include physically delivering the mail to the various departments or running outgoing letters through the postage meter.

Efforts at job enlargement have met with less than enthusiastic results. As one employee who experienced such a redesign on his job remarked, "Before I had one lousy job. Now, through enlargement, I have three!" So while job enlargement attacks the lack of diversity in over-specialised jobs, it has done little to provide challenge or meaningfulness to a workers' activities. The additional tasks or duties do not require new skills but can be performed with similar skills and efforts as before. In this case, there is enlargement in the horizontal dimension and it may be the monotonous job remains monotonous only on a larger scale than before. Herzberg, a pioneer in job design, has characterised job enlargement has simply "adding zero to zero" meaning that one set of boring tasks (zero) is simply added to another set of boring tasks (zero).

The following are the advantages of job enlargement:

(a) *Variety of skills:* With the help of job enlargement, employees are able to get some new skills and qualities during their jobs, which is beneficial for both, organizations as well as employees.

(b) *Improves earning capacity:* By learning new skills and tasks, they can perform other jobs and duties which enable them to earn more. They can also demand for higher salaries.

(c) *Wide range of activities:* Job enlargement enable employees to perform wide rang of duties and tasks, which is a good sign for organizations. They reduce the number of employees, which cut down the cost of salaries and benefits, because they use less employees to perform wide range of duties.

The following are the disadvantages of job enlargement:

(a) *Increases work burden:* Job enlargement increases the work of the employee and not every company provides incentives and extra salary for extra work. Therefore, the efforts of the individual may remain unrecognized.

(b) *Increasing frustration of the employee:* In many cases, employees end up being frustrated because increased activities do not result in increased salaries.

(c) *Problem with union members:* Union members may consider job enlargement as a bad behaviour with the workers and they might stand against the orders of organization.

3. *Job Rotation:* Job rotation refers to the movement of an employee from one job to another. Jobs themselves are not actually changed, only the employees are rotated among various jobs. An employee who works on a routine job moves to work on another job for some hours/days/months and returns back to the first job. This measure relieves the employee from the boredom and monotony, improves the employee's skills regarding various jobs and prepares worker's self-image and provides personal growth. However, frequent job rotations are not advisable in view of their negative impact on the organization and the employee.

It is the practice of shifting people from one job to another within a work group so that there is some varieties and relief from the boredom of routine. Herzberg characterised this approach age merely substituting "one zero for another zero" as it implies horizontal or lateral transfer to job of the same level and status. Job Rotation means lateral transfer. Horizontal rotation may take place in course of a development programme whereby the employee spends two or three months in one activity and is then moved on to another. Job rotation may also be on a situational basis, i.e., by moving the person to another activity when the first is no longer challenging to him, or to meet the needs of work scheduling.

When incumbents become bore of routine jobs, job rotation is an answer to it. Here, jobs remain unchanged, but the incumbents shift from one job to another. On the positive side, it increases the intrinsic reward potential of a job because of different skills and abilities needed to perform it. Workers become more competent in several jobs, know variety of jobs and improve the self-image, personal growth. Further, the worker becomes more valuable to the organization. Periodic job changes can improve inter-departmental cooperation. On the negative side, it may not be much enthusiastic or efficiency may not be more. Besides jobs may not improve the relationships between task, while activities and objectives remain unchanged. Further, training costs also rise and it can also de-motivate intelligent and ambitious trainees who seek specific responsibilities in their chosen specialties.

Some of the advantages of job rotation are given below:

(a) *Avoids monopoly:* Job rotation helps to avoid monopoly of job and enable the employee to learn new things and therefore enjoy his job.

(b) *Provides an opportunity to broaden one's knowledge:* Due to job rotation the person is able to learn different job in the organization this broadens his knowledge.

(c) *Avoiding fraudulent practice*: In an organization like bank jobs rotation is undertaken to prevent employees from doing any kind of fraud i.e., if a person is handling a particular job for a very long time he will be able to find loopholes in the system and use them for his benefit and indulge (participate) in fraudulent practices job rotation avoids this.

Some of the disadvantages of job rotation are given below:

(a) *Frequent interruption:* Job rotation results in frequent interruption of work. A person who is doing a particular job and gets it comfortable suddenly finds himself shifted to another job or department. This interrupts the work in both the departments.

(b) *Reduces uniformity in quality:* Quality of work done by a trained worker is different from that of a new worker. When a new worker is shifted or rotated in the department, he takes time to learn the new job, makes mistakes in the process and affects the quality of the job.

(c) *Misunderstanding with the union member:* Sometimes job rotation may lead to misunderstanding with members of the union. The union might think that employees are being harassed and more work is being taken from them. In reality this is not the case.

4. *Job Enrichment:* Job enrichment, as it is currently practiced in industry, is a direct outgrowth of Herzberg's two factor theory of motivation. It is, therefore, based on the assumption that in order to motivate personnel, the job itself must provide opportunities for achievement recognition, responsibility, advancement and growth. The basic idea is to restore to jobs the elements of interest that were taken away under intensive specialisation. At this stage, it may be necessary to draw a distinction between job rotation, job enlargement and job enrichment. Job enrichment tries to embellish the job with factors that Herzberg characterised as motivators: achievement, recognition, increased responsibilities, opportunities for growth, advancement and increased competence. There is an attempt to build into jobs a higher sense of challenge and achievement, through vertical job loading.

Vertical job loading entails redesigning jobs to give:

(a) Greater responsibility

(b) Greater autonomy

(c) More immediate feedback to the individual or group. This might include transferring some of the superior's activities to subordinates.

(d) Giving more freedom

(e) Encouraging participation

(f) Giving employees the freedom to select the method of working

(g) Allowing employees to select the place at which they would like to work

(h) Allowing workers to select the tools that they require on the job

(i) Allowing workers to decide the layout of plant or office

Horizontal job loading might be applied by having workers perform some of the steps that precede and follow them in the work flow. A single operator might fit on all four fenders, be responsible for the car's entire front end, or do both rough and finished painting. Job enrichment gives lot of freedom to the employee but at the same time increases the responsibility. Some workers are power and responsibility hungry. Job enrichment satisfies the needs of the employees.

Did u know? According to Luthans and Reif only 4 per cent of a sample of the Fortune 500 industrial firms has made any "formal systematic attempt to enrich jobs". Contrary to popular belief, a low ratio of employees hold enriched jobs. This view is supported by another study. "The successful experiences of Maytag, AT &T, Texas Instruments and few others cannot be accepted as a representative of the efficiency of job enrichment for all industrial firms although that conclusion is often reached. In most companies examined job enrichment was still in the experimental stage only."

Job enrichment has four unique aspects:

(a)   It changes the basic relationship between employees and their work. Interesting and challenging work as studies have proved can be a source of employee satisfaction.

(b)   It changes employees' behaviour in ways that gradually lead to more positive attitudes about the organization and a better self image. Feeling of autonomy and personal freedom help employees view their jobs in a favorable way.

(c)   It helps the employer to bring about organizational changes easily securing employees' cooperation and commitment.

(d)   Job enrichment can humanize an organization. Individuals can experience the psychological lift that comes from developing new competencies and doing a job well. Individuals are encouraged to grow and push themselves.

The advantages of job enrichment are as follows:

(a)   *Interesting and challenging job:* When a certain amount of power is given to employees it makes the job more challenging for them, we can say that job enrichment is a method of employee empowerment.

(b)   *Improves decision making:* Through job enrichment we can improve the decision making ability of the employee by asking him to decide on factory layout, method and style of working.

(c)   *Identifies future managerial caliber:* When we provide decision making opportunities to employees, we can identify which employee is better that other in decision making and mark employees for future promotion.

(d)   *Reduce Boredom:* Employees get bored with the mundane day-to-day tasks they have to complete. Job enrichment adds variety to employees' duties, which can reduce their workplace boredom. Along with reducing boredom, job enrichment challenges employees to stretch their skills beyond what they're used to doing at the company.

(e)   *Receive Recognition:* Job enrichment gives you a chance to test and see your employees' strengths and weaknesses. An employee who excels with a great depth of task may gain recognition, which can lead to company awards and incentives, or even a promotion within the company.

The disadvantages of job enrichment are as follows:

(a)   *Lack of Training:* When employees are given a greater depth of tasks through job enrichment, they may not be skilled or experienced in the new tasks they're asked to perform. The lack of training may be a disadvantage for employees and employers, and lead to problems such as lower productivity.

(b)   *Increase Workload:* A primary disadvantage of job enrichment is an increase in an employee's workload. While some employees may be able to immediately re-prioritize their time and tasks, some may initially experience difficulties getting adjusted with their new responsibilities. The increase in work can cause employees to get frustrated, burned out and lower their overall productivity.

(c)   *Conflict with Non-participants:* Every employee at your business may not be eligible to participate in job enrichment. Those individuals who want more responsibility, but haven't shown that they can handle it, may become disgruntled, bitter toward management and the employees who are a part of the job enrichment process.

(d) *Poor Performance:* Some employees excel in job enrichment, while others perform poorly, due to lack of training, lack of interest or lack of clarity about their new tasks. Poor performance can cause employees to feel a sense of incompetence or as if they've you beaten down. Poor performance can also cause employees to get stripped of their new responsibilities, which can cause embarrassment.
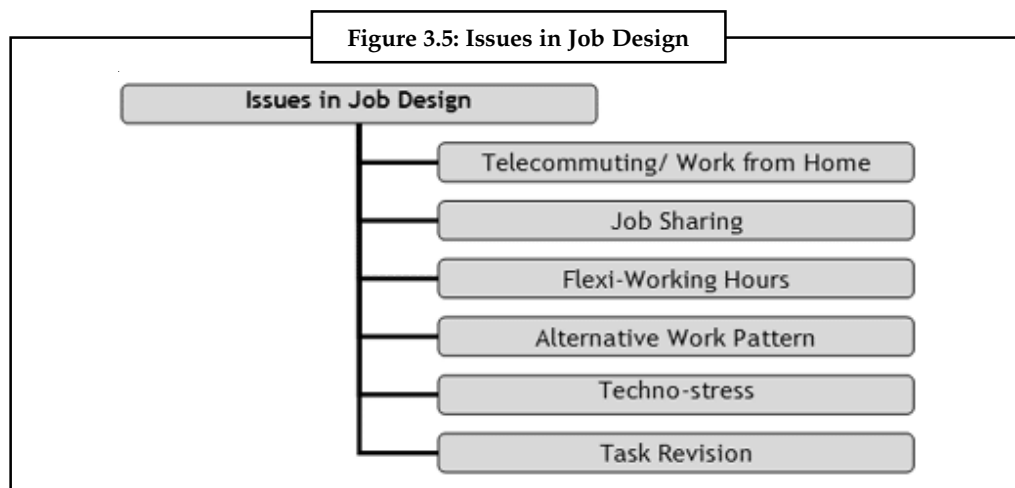
Self Assessment

State whether the following statements are true or false:

9. Job enrichment helps to avoid monopoly of job and enable the employee to learn new things.

10. Job rotation results in frequent interruption of work.

11. Job enlargement means assignment of varied tasks or duties of the jobs of employees all the same level.

12. Vertical job loading might be applied by having workers perform some of the steps that precede and follow them in the work flow.

3.4 Issues in Job Design

As we know, job design is a systematic organization of job-related tasks, responsibilities, functions and duties. It is a continuous process of integration of content related to job in order to achieve certain objectives. The process plays a vital role as it affects the productivity of employees and organizations. However, there are a number of existing issues emerged recently while designing the jobs in organizations. These are alternative work patterns that are equally effective in handling organization's functions.

Figure 3.5: Issues in Job Design

- Issues in Job Design
  - Telecommuting/ Work from Home
  - Job Sharing
  - Flexi-Working Hours
  - Alternative Work Pattern
  - Techno-stress
  - Task Revision

Source: http://www.managementstudyguide.com/issues-in-job-design.htm

1. *Telecommuting/Work from Home:* Telecommuting or work from home is considered as the best alternative of working from the actual office. The concept of virtual office is gaining more and more popularity because of ease and convenience associated with it. By using computer networks, fax machines, telephones and internet connection, employees can communicate and perform the job from home. It eliminates the need of coming to office everyday and offers employees the convenience to work at the comfort of their home.

Notes

> *Notes* Though, there are lots of advantages associated with this working style but it suffers from many limitations. It allows employees to stay at home and manage their job tasks and functions without actually being present in the office but it doesn't allow them to communicate with other employees and establishing relationships with them. They only deal with machines whole day, thus lose creativity. Moreover, it is a great hindrance in their way as it does not allow skill upgradation.

2. *Job Sharing:* It is the second most preferable alternative of traditional working styles where two or more individuals share the responsibilities of a full time job. They divide the tasks, responsibilities and compensation according to their mutual consent. This option is generally used by women who are on maternity leave or have family and kids to look after but want to continue their job. These days, organizations are open to this kind of working style where two or more individuals can share a job.

3. *Flexi-working Hours:* These days, organizations allow their employees to work according to the timings that suit them best. There are 3-4 working schedules and individuals can choose any one of them depending upon their availability. Employees can work in early hours as well as night hours. This is good for those individuals who have colleges or some other engagements during the day or specific hours of the day. The best part is that unlike telecommuting, flexi-timings give them chance to communicate with other employees too.

4. *Alternative Work-Patterns:* Companies these days allow their employees to work on alternate months or seasons. Though, the concept is not that common in India but can be seen in European and American world of work. They also have the option of working two to three full days and can relax after that.

> *Did u know?* According to the latest concept, employees can work for fixed number of hours and then can attend to their personal needs during the left days.

5. *Technostress:* Technostress is the latest technology to keep a check on employees' performance even when they choose to work from home. Because of the introduction of new machines, there performance can be electronically monitored even when they are not aware of it.

6. *Task Revision:* Task revision is nothing but modification of existing work design by reducing or adding the new job duties and responsibilities to a specific job.

Self Assessment

Fill in the blanks:

13. The job process plays a vital role as it affects the .... of employees and organizations.

14. .... eliminates the need of coming to office everyday and offers employees the convenience to work at the comfort of their home.

15. .... is the second most preferable alternative of traditional working styles where two or more individuals share the responsibilities of a full time job.

16. .... is the latest technology to keep a check on employees' performance even when they choose to work from home.

Case Study   **Five Dimensions of Job Characteristics Theory**

Frank is an operations supervisor at a trucking company and has been in the industry for over twenty years. He started out as a driver and over the years worked his way up to a supervisory position. He is good at his job, due to his years of experience, but he is not totally happy. He took the position for better pay and to get off the road, but his true passion is in maintenance. He always works on his own vehicles at home and has restored a muscle car in his garage. When he drove, he enjoyed performing minor maintenance on his equipment and always helped the mechanics when he could. Now that he is older, sitting behind a desk in operations provides him with a easier, more comfortable environment, and with children in college he needs the higher income of a supervisory position. There is, however, a job posting for a maintenance supervisor position within his terminal. Based on his years of experience in the trucking industry and his experience supervising a number of employees, not to mention his natural mechanical ability, he feels well-qualified for the position, and he applies for it. Frank does get the position and is now able to combine what he enjoys doing with the salary he needs. He is now supervising employees in the environment he feels more comfortable in and is now able to work with his hands a little more and get out from behind a desk.

In the twenty years that Frank has been an employee of this trucking company, he has experienced many ups and downs through various positions that he has held. Through his many years of work he has learned what he likes and dislikes as an employee. Recently, there has been changes in his personal life, like his children going off to college, that has made Frank realize what he needs out of his career. "The impact of a job on a person is moderated by a person's needs". He needs to remain in a supervisory position; but, in order to be satisfied with his work; he needs to move on to a supervisory position in the maintenance department. By fulfilling his passion, and being able to provide for his family, Frank will be better motivated in his career.

In order to see Frank reach his full potential in this trucking company his needs and satisfactions must be met. In this case the Job Characteristics Theory can be applied. Within the Job Characteristics Theory there are five dimensions. First, there is skill variety; which is the number of skills obligatory to complete tasks. Since Frank has gotten the position as maintenance supervisor, he will need to incorporate a variety of skills. More skills are needed in this position than his previous position, because being in the maintenance department is more hands-on than sitting behind a desk. On any given day, Frank will be faced with many different mechanical problems that he must assess and fix. The next dimension on the Job Characteristics Theory is task identity. Task identity is the completion of presented tasks from start to finish. As maintenance supervisor, it is extremely important for Frank to accomplish tasks effectively and promptly. Repairing trucks successfully and punctually will ensure that these trucks are back on the road in route to bringing in more income for the company. Task significance is the third dimension of this theory; and it is the impact specific tasks have on others. The task significance in this case is that by repairing trucks, these trucks will be back on the road, and fulfilling the needs of customers. Combining skill variety, task identity, and task significance fulfills a

Contd...

psychological state, the meaningfulness of work. Through merging a plethora of skills, successfully accomplished tasks, and ensuring a positive impact on others, Frank will feel a sense of meaning from his hard work. This hard work is what will keep Frank motivated. Continuing with the dimensions of Job Characteristics Theory, the fourth dimension is autonomy. Autonomy is defined as "the level of choice, freedom, and independence employees feel they have to do their jobs".

Frank is now experiencing a high degree of autonomy because he does not need to answer to anyone, and he has the authority to do what he feels is best for the maintenance department. Autonomy fulfills another psychological state of responsibility. Frank is obligated to repairing trucks, and ensuring that the drivers are safe while driving the vehicles. Therefore, Frank is dealing with a state of responsibility. The last dimension is feedback; which is defined as, "the direct and clear information received by the employee regarding the effectiveness of their performance." If Frank receives continuous feedback, it will continue motivating him. Feedback fulfills the third psychological state which is knowledge of results. If results get back to Frank and they are positive, it will increase motivation to continue good work. If the results from his work are negative, this will also increase motivation to improve his work.

Questions:

1. Study and analyze the case.

2. Write down the case facts.

3. What do you infer from it?

Source: https://wikispaces.psu.edu/display/PSYCH484/Summer+2012+Job+Design+Case+Study

3.5 Summary

- Job design refers to how specific work-related tasks are arranged to achieve optimal levels of efficiency and individual accomplishment.

- It is a continuous process of integration of content related to job in order to achieve certain objectives.

- The process plays a vital role as it affects the productivity of employees and organizations.

- Good job design considers the company's performance needs along with individual employee skills, needs and motivation.

- The different elements that fall under consideration include the tasks that need to be performed, job enlargement, job rotation and job enrichment.

- Job design serves to improve performance and motivation.

- Job design analysis starts by looking at a job with a broad perspective and swiftly moves toward identifying the specific activities required to do the job.

- This is done for the purpose of identifying and correcting any deficiencies that affect performance and motivation.

- In work simplification, the complete job is broken down into small sub ports, usually consisting of few operations.

- Job rotation refers to the practice of shifting people from one job to another within a work group so that there is some varieties and relief from the boredom of routine.

- Job enlargement means assignment of varied tasks or duties of the jobs of employees all the same level.

- Job enrichment implies increasing the contents of a job or the deliberate upgrading of responsibility, scope and challenge in work.

3.6 Keywords

Employee Training: Educational preparation for performing a job that is typically provided to staff by the business that has recently hired them before they become active in service to the company.

Job: A job can be defined as the set of tasks and responsibilities of a worker.

Job Analysis: Job analysis is the systematic study of jobs to identify the observable work activities, tasks, and responsibilities associated with a particular job or group of jobs.

Job Design: Job Design is the process of putting together various elements to form a job, bearing in mind organizational and individual worker requirements, as well as considerations of health, safety, and ergonomics.

Job Enlargement: Job enlargement is the process of adding new challenging tasks and activities to existing jobs in order to extract maximum skills from employees.

Job Enrichment: Job enrichment is an attempt to motivate employees by giving them the opportunity to use the range of their abilities.

Job Rotation: Job rotation refers to the movement of an employee from one job to another.

Job/Work Simplification: Job simplification is a design method whereby jobs are divided into smaller components and subsequently assigned to workers as whole jobs.

Motivation: Motivation is an internal process that makes a person move toward a goal.

Quality of Work Life: "Quality of work life" is a term that is used to identify the perception of employees within the workplace, both in terms of how those employees view their roles within a company structure and how employers perceive and relate to those employees.

Union: An organization of workers joined to protect their common interests and improve their working conditions.

3.7 Review Questions

1. Define job design. What are their main purposes?

2. Highlight the objectives of job design.

3. Explain the importance of job design.

4. Throw some light on factors affecting job design.

5. "The concept of motivating jobs relates to job design." Explain.

6. What are the major steps in the design process?

7. Distinguish between job enlargement and job enrichment.

8. What are the advantages and disadvantages of job rotation?

9. What do you understand by job simplification?

10. Highlight the main issues in job design.

Answers: Self Assessment

1. True   2. False

3. False   4. True

5. Getting Started   6. Selections

7. Implementation   8. Organizational design

9. False   10. True

11. True   12. False

13. Productivity   14. Telecommuting/Work from Home

15. Job Sharing   16. Technostress

3.8 Further Readings

Books Aswathappa, K. (2007), "*Human Resource and Personnel Management*, Tata McGraw Hill.

Bhattacharyya, D. K. (2006), *Human Resource Management*, Excel Books.

Mathis, Robert L & Jackson, John H. (2007), *Human Resource Management,* Thomson.

Rao, P. L. (2004), *Comprehensive Human Resource Management*, Excel Books.

Rao, VSP (2005), *Human Resource Management,* Excel Books.

Online links http://actrav.itcilo.org/actrav-english/telearn/osh/ergo/ergoa.htm

http://kalyan-city.blogspot.com/2011/09/what-is-job-design-meaning-importance.html

http://krypton.mnsu.edu/~schumann/www/teach/mba642_t02_job_design_and_job_analysis.pdf

http://www.allsubjects4you.com/Management-job-design.htm

http://www.cedu.niu.edu/~bailey/ftf564/jobdes.pdf

http://www.managementstudyguide.com/job-design.htm

Unit 4: Recruitment and Selection

Objectives

After studying this unit, you will be able to:

- Discuss an overview of Recruitment

- Describe the factors affecting Recruitment

- Explain the seven steps to effective Recruitment

- Describe an overview of Selection

- Discuss the Selection Procedure

- Explain the types of Selection Methods

Introduction

In the previous unit, we dealt with the meaning, steps, techniques and issues involved in job design. Recruitment and selection is pivotal in this regard in certain important respects.

Recruitment and selection forms a core part of the central activities underlying human resource management: namely, the acquisition, development and reward of workers. It frequently forms an important part of the work of human resource managers – or designated specialists within work organisations. However, and importantly, recruitment and selection decisions are often for good reason taken by non-specialists, by the line managers. There is, therefore, an important sense in which it is the responsibility of all managers, and where human resource departments exist, it may be that HR managers play more of a supporting advisory role to those people who will supervise or in other ways work with the new employee. Recruitment and selection also has an important role to play in ensuring worker performance and positive organisational outcomes. It is often claimed that selection of workers occurs not just to replace departing employees or add to a workforce but rather aims to put in place workers who can perform at a high level and demonstrate commitment. The purpose of this unit is to enable the students to comprehend basic expressions. At the end of this unit, you should be able to understand the meaning, factors affecting and steps to effective recruitment along with the meaning, procedure and types of selection methods.

4.1 Recruitment: An Overview

Recruitment is the process of hiring talented employees for certain jobs by motivating them to apply for those jobs which are available in organization. Recruitment is an important part of an organization's human resource planning and their competitive strength. Competent human resources at the right positions in the organisation are a vital resource and can be a core competency or a strategic advantage for it. Recruitment refers to the process of attracting, screening and selecting qualified people for a position within an organization. It is an important management activity in securing an effective workforce. Good recruitment is about finding the right person for the job and has implications for business performance, image with customers and industry, staffing levels and profitability. Hiring an employee is only a first step. Building awareness of the importance of employee retention is essential. The costs associated with employee turnover can include lost customers and business as well as damaged morale. In addition, there are costs incurred in screening, verifying credentials and references, interviewing, hiring and training a new employee. Retention strategies strengthen the ability of businesses to attract and retain their workforce. Once the right staff persons have been recruited, retention practices provide the tools necessary to support staff.

The recruitment process is the value added HR Process. It is about attracting, interviewing and hiring new employees. The perfect recruitment includes the adoption of the new hire. It is about the definition of the job vacancy, designing the appealing recruitment text and offering the competitive package to the winning candidate. The recruitment process is managed by the recruitment strategy. HR should always find the right position on the job market as the candidates flow smoothly through the organization. The recruitment is not just external; the internal recruitment has a enormous impact on the performance of the company and increases the satisfaction of employees. The recruitment is not just the operational HR process. The definition of the recruitment is not easy, and the whole process can be extremely complex.

The recruitment is the essential part of building the competitive advantage. HR has to define the needed profiles (skills and competencies). The profile of the ideal candidate has to be aligned with the corporate culture and corporate values. The profile has to support enhancing the organizational capability. The recruitment is one of the best opportunities to enrich the organization, and it is the way to build the learning organization. HR Recruiter has to be skilled to identify the right profile of the best candidate, and they have to be promoted to managers as the best hiring option.

The recruitment strategy is a key success factor for the process. It defines the competitive advantage of the organization on the job market. The company has to choose the right mix of the

recruitment sources, recruitment agencies and recruitment messages. The company has to choose the target groups, and the underlying analysis has to identify the right ways to reach them.

Notes The recruitment supports the marketing activities of the organization. The hiring of new people is a strong communication topic for the social media. HR can start building the engaged social community around its recruitment activities. All marketing specialists should focus on the close cooperation with Human Resources. The HR Marketing is a strong topic for discussions in the company. The HR Marketing can build a strong competitive advantage.

The recruitment is the most sensitive HR process. The changes on the job market are visible in the measures almost immediately. The excellent process learns HR Professionals to be flexible and being innovative. The competition on the job market is tough, and the company has to be winning the best talents. The recruitment has to be smart.

The recruitment is the excellent opportunity for the internal promotions and talent identification. The HR Recruiter interviews many internal candidates and he or she can pass information to the career development specialists. The recruitment strategy should align the recruitment function with the career development specialists. The internal recruitment is not the isolated process. It should move the best talents of the organization to the challenging job positions. The internal recruitment needs a strong support from the top management. It can be a conflicting process and it needs clear rules, and procedures defined by Human Resources.

Example: At Naukrihub, it is attempt to provide a detailed insight into the concept of recruitments, recruitment process and its sources, recent trends in recruitment, recruitment strategies and the scenario in the industry along with the career options for recruiters.

The recruitment process contains many interactions. It is the most difficult HR process with the value added for the company. The process involves managers, employees, Human Resources, recruitment agencies and candidates. All participants have the same goal – filling the job vacancy and they have to cooperate smoothly to reach the overall goal. Many organizations make a mistake of forgetting the candidate. The candidate makes the final decision. The company offers the job, but the candidate decides. The recruitment process has to be measured and main recruitment KPIs have to set. The unmeasured recruitment process cannot support the success of HR in the organization.

4.1.1 Objectives of Recruitment

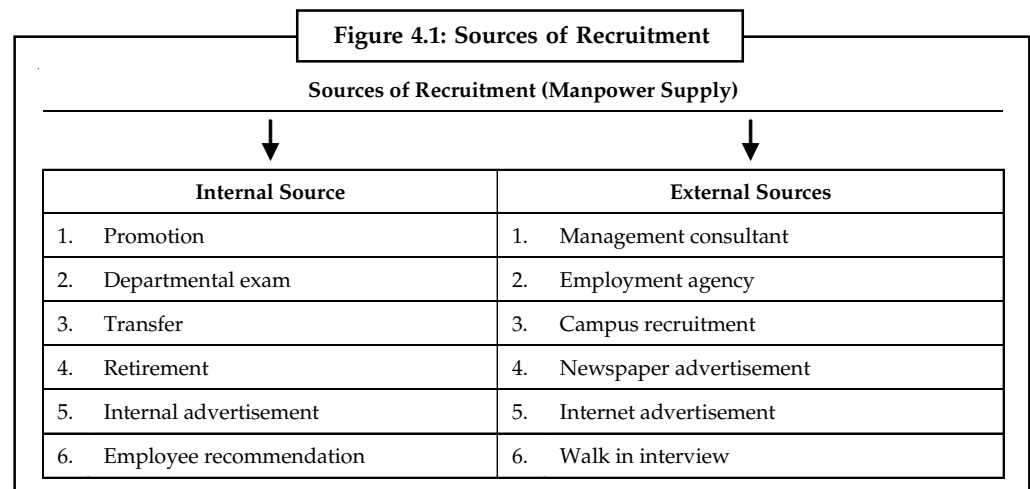Recruitment fulfills the following objectives:

1. It enables the company to advertise itself and to attract sufficient applications from potential candidates for appointment with the skills, qualities, abilities, experience and competencies deemed as being necessary to the job.

2. It reviews the list of objectives of the company and tries to achieve them by promoting the company in the minds of public.

3. To ensure that recruitment procedures are clear, valid and consistently applied by those involved in recruitment and that they provide for fair and equitable treatment for those who apply for employment.

4. It forecasts how many people will be required in the company.

5. To ensure all recruitment and selection procedures comply with the Equal Opportunity Policy.

6. It provides different opportunities to procure human resource.

7. To base selection decisions and criteria directly on the demands and requirements of the job and the competencies identified as necessary for satisfactory performance.

8. To develop and maintain procedures which will assist in ensuring the appointment of the most suitable candidate.

4.1.2 Sources of Recruitment

Every organisation has the option of choosing the candidates for its recruitment processes from two kinds of sources: internal and external sources. The sources within the organisation itself (like transfer of employees from one department to other, promotions) to fill a position are known as the internal sources of recruitment. Recruitment candidates from all the other sources (like outsourcing agencies etc.) are known as the external sources of recruitment. The sources can be further explained with the help of figure given below:

Figure 4.1: Sources of Recruitment

Sources of Recruitment (Manpower Supply)

Internal Source	External Sources
1. Promotion	1. Management consultant
2. Departmental exam	2. Employment agency
3. Transfer	3. Campus recruitment
4. Retirement	4. Newspaper advertisement
5. Internal advertisement	5. Internet advertisement
6. Employee recommendation	6. Walk in interview

Source: http://studyvalue.com/_management_sciences/_hrm/recruitment_17.html

The sources of recruitment are as follows:

1. *Internal Source of Recruitment:* Internal Recruitment is a recruitment which takes place within the concern or organization. Internal sources of recruitment are readily available to an organization. Internal sources are primarily three – Transfers, promotions and Re-employment of ex-employees. Re-employment of ex-employees is one of the internal sources of recruitment in which employees can be invited and appointed to fill vacancies in the concern. There are situations when ex-employees provide unsolicited applications also. Internal recruitment may lead to increase in employee's productivity as their motivation level increases. It also saves time, money and efforts. But a drawback of internal recruitment is that it refrains the organization from new blood.

⚠

Caution Also, not all the manpower requirements can be met through internal recruitment. Hiring from outside has to be done.

Here are different methods of internal recruitment:

(a) *Promotion:* Companies can give promotion to existing employees. This method of recruitment saves a lot of time, money and efforts because the company does not have to train the existing employee. Since, the employee has already worked with the company. He is familiar with the working culture and working style. It is a method of encouraging efficient workers.

(b) *Departmental examination:* This method is used by government departments to select employees for higher level posts. The advertisement is put up on the notice board of the department. People who are interested must send their application to the HR department and appear for the exam. Successful candidates are given the higher level job. The method ensures proper selection and impartiality.

(c) *Transfer:* Many companies adopt transfer as a method of recruitment. The idea is to select talented personnel from other branches of the company and transfer them to branches where there is shortage of people.

(d) *Retirement:* Many companies call back personnel who have already retired from the organization. This is a temporary measure. The method is beneficial because it gives a sense of pride to the retired when he is called back and helps the organization to reduce recruitment selection and training cost.

(e) *Internal advertisement:* In this method, vacancies in a particular branch are advertised in the notice board. People who are interested are asked to apply for the job. The method helps in obtaining people who are ready to shift to another branch of the same company and it is also beneficial to people who want to shift to another branch.

(f) *Employee recommendation:* In this method, employees are asked to recommend people for jobs. Since, the employee is aware of the working conditions inside the company he will suggest people who can adjust to the situation. The company is benefited because it will obtain.

The advantages of internal recruitment are as follows:

(a) Internal methods are time saving.

(b) No separate induction program is required.

(c) The method increases loyalty and reduces labour turnover.

(d) This method is less expensive.

The disadvantages of internal recruitment are as follows:

(a) There is no opportunity to get new talent in this method.

(b) The method involves selecting people from those available in the company so there is limited scope for selection.

(c) There are chances of biased and partiality.

(d) Chances of employee discontent are very high.

2. *External Source of Recruitment:* External sources of recruitment have to be solicited from outside the organization. External sources are external to a concern. But it involves lot of

time and money. External sources of recruitment refer to methods of recruitment to obtain people from outside the company. These methods are as follows:

(a) *Management consultant:* Management consultant helps the company by providing them with managerial personnel, when the company is on the look out for entry level management trainees and middle level managers. They generally approach management consultants.

(b) *Employment agencies*: Companies may give a contract to employment agencies that search, interview and obtain the required number of people. The method can be used to obtain lower level and middle level staff.

(c) *Campus recruitment:* When companies are in search of fresh graduates or new talent they opt for campus recruitment. Companies approach colleges, management, technical institutes, make a presentation about the company and the job and invite applications. Interested candidates who have applied are made to go through a series of selection test and interview before final selection.

(d) *News paper advertisement:* This is one of the oldest and most popular methods of recruitment. Advertisements for the job are given in leading news papers; the details of the job and salary are also mentioned. Candidates are given a contact address where their applications must be sent and are asked to send their applications within a specified time limit. The method has maximum reach and most preferred among all other methods of recruitment.

(e) *Internet advertisement:* With increasing importance to internet, companies and candidates have started using the internet as medium of advertisement and search for jobs. There are various job sites like naukri.com, monster.com, etc. candidates can also post their profiles on these sites. This method is growing in popularity.

(f) *Walk in interview:* Another method of recruitment which is gaining importance is the walk in interview method. An advertisement about the location and time of walk in interview is given in the news paper. Candidates require to directly appearing for the interview and have to bring a copy of their CV with them. This method is very popular among BPO and call centers.

The following are the advantages of external recruitment:

(a) There is influx of new talent in the method.

(b) The method encourages more and more competition.

(c) There is lesser chance of partiality through this method.

(d) If options like campus recruitment have been exercised we get a chance to employ fresh graduates, thus increasing employment.

The following are the disadvantages of external recruitment:

(a) The method is costly because it involves recruitment cost, selection, training cost.

(b) The method is time consuming.

(c) The method reduces loyalty to the company.

4.1.3 Recent Trends in Recruitment

The following trends are being seen in recruitment:

1. *Outsourcing:* In India, the HR processes are being outsourced from more than a decade now. A company may draw required personnel from outsourcing firms. The outsourcing

firms help the organisation by the initial screening of the candidates according to the needs of the organisation and creating a suitable pool of talent for the final selection by the organisation. Outsourcing firms develop their human resource pool by employing people for them and make available personnel to various companies as per their needs. In turn, the outsourcing firms or the intermediaries charge the organisations for their services.

Advantages of outsourcing are:

(a)   Company need not plan for human resources much in advance.

(b)   Value creation, operational flexibility and competitive advantage

(c)   Turning the management's focus to strategic level processes of HRM

(d)   Company is free from salary negotiations, weeding the unsuitable resumes/ candidates.

(e)   Company can save a lot of its resources and time

2.   *Poaching/Raiding:* "Buying talent" (rather than developing it) is the latest mantra being followed by the organisations today. Poaching means employing a competent and experienced person already working with another reputed company in the same or different industry; the organisation might be a competitor in the industry. A company can attract talent from another firm by offering attractive pay packages and other terms and conditions, better than the current employer of the candidate. But it is seen as an unethical practice and not openly talked about.

Did u know? Indian software and the retail sector are the sectors facing the most severe brunt of poaching today. It has become a challenge for human resource managers to face and tackle poaching, as it weakens the competitive strength of the firm.

3.   *E-Recruitment:* Many big organizations use Internet as a source of recruitment. E- Recruitment is the use of technology to assist the recruitment process. They advertise job vacancies through worldwide web. The job seekers send their applications or curriculum vitae i.e. CV through e mail using the Internet. Alternatively job seekers place their CV's in worldwide web, which can be drawn by prospective employees depending upon their requirements.

Advantages of recruitment are:

(a)   Low cost.

(b)   No intermediaries

(c)   Reduction in time for recruitment.

(d)   Recruitment of right type of people.

(e)   Efficiency of recruitment process.

Task Look at the recruitment section of your local newspaper. What sorts of vacancies are typically advertised here? Compare and contrast these with the types of vacancies advertised in broadsheet newspapers such as the Times of India or the Hindustan Times. What indicators are there in the wording of advertisements as to whether there is a surplus or shortage of candidates?

Caselet   <u>Why Work at IKEA?</u>

The following extracts are taken from the IKEA Group corporate website 'Why work at IKEA?' section.

Because of our values, our culture and the endless opportunities, we believe that it's important to attract, develop and inspire our people. We are continuously investing in our co-workers and give them sufficient opportunities and responsibility to develop.

What would it be Like to Work at IKEA?

You'd be working for a growing global company that shares a well-defined and well-communicated vision and business idea. You'd be able to develop your skills in many different ways, becoming an expert at your daily work, by taking new directions in other parts of the company, or by taking on greater responsibility, perhaps even in another country. Human values and team spirit are part of the work environment. You'd not only have fun at work, you'd be able to contribute to the development of others.

At IKEA you'd be rewarded for making positive contributions. You'd have the chance to grow and develop together with the company.

Values at the Heart of Our Culture

The people and the values of IKEA create a culture of informality, respect, diversity and real opportunities for growth. These values include:

Togetherness and Enthusiasm

This means we respect our colleagues and help each other in difficult times. We look for people who are supportive, work well in teams and are open with each other in the way they talk, interact and connect. IKEA supports this attitude with open-plan offices and by laying out clear goals that co-workers can stand behind.

Humbleness

More than anything this means respect. We are humble towards our competitors, respecting their proficiency, and realising that we constantly have to be better than they are to keep our market share. It also means that we respect our co-workers and their views, and have respect for the task we have set ourselves.

Willpower

Willpower means first agreeing on mutual objectives and then not letting anything actually stand in the way of actually achieving them. In other words, it means we know exactly what we want, and our desire to get it should be irrepressible.

Simplicity

Behind this value are ideas like efficiency, common-sense and avoiding complicated solutions. Simple habits, simple actions and a healthy aversion to status symbols are part of IKEA.

Self Assessment
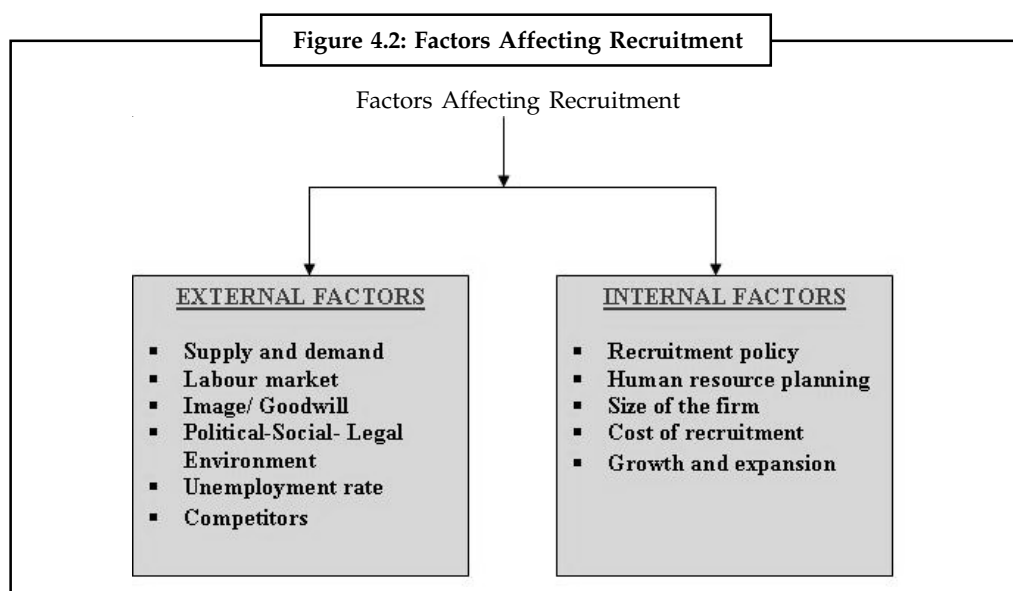
State whether the following statements are true or false:

1. The recruitment process is the value added HR Process.

2. Every organisation has the option of choosing the candidates for its recruitment processes from four kinds of sources.

3. Outsourcing means employing a competent and experienced person already working with another reputed company in the same or different industry.

4.2 Factors Affecting Recruitment

All organizations, whether large or small, do engage in recruiting activity, though not to the same intensity. The recruitment function of the organizations is affected and governed by a mix of various internal and external forces. The internal forces or factors are the factors that can be controlled by the organization. And the external factors are those factors which cannot be controlled by the organization. The internal and external forces affecting recruitment function of an organization are shown in Figure 4.2:

Figure 4.2: Factors Affecting Recruitment

Factors Affecting Recruitment

EXTERNAL FACTORS

- Supply and demand
- Labour market
- Image/ Goodwill
- Political-Social- Legal Environment
- Unemployment rate
- Competitors

INTERNAL FACTORS

- Recruitment policy
- Human resource planning
- Size of the firm
- Cost of recruitment
- Growth and expansion

Source: http://recruitment.naukrihub.com/factors-affecting-recruitment.html

The factors affecting recruitment are as follows:

1. *Internal Factors Affecting Recruitment:* The internal forces are the forces which can be controlled by the organization. The major internal forces are given below:

   (a) *Recruitment Policy:* The recruitment policy of an organization specifies the objectives of recruitment and provides a framework for implementation of recruitment program. It may involve organizational system to be developed for implementing recruitment programs and procedures by filling up vacancies with best qualified people. Factors affecting recruitment policy are as follows:

   ♦ Organizational objectives,

   ♦ Personnel policies of the organization and its competitors,

♦ Preferred sources of recruitment,

♦ Need of the organization,

♦ Recruitment costs and financial implications, and

♦ Government policies on reservations.

(b) *Human Resource Planning:* Effective human resource planning helps in determining the gaps present in the existing manpower of the organization. It also helps in determining the number of employees to be recruited and what qualification they must possess.

(c) *Size of the Firm:* The size of the firm is an important factor in recruitment process. If the organization is planning to increase its operations and expand its business, it will think of hiring more personnel, which will handle its operations.

(d) *Cost:* Recruitment incur cost to the employer, therefore, organizations try to employ that source of recruitment which will bear a lower cost of recruitment to the organization for each candidate.

(e) *Growth and Expansion:* Organization will employ or think of employing more personnel if it is expanding its operations.

2. *External Factors Affecting Recruitment:* The external forces are the forces which cannot be controlled by the organization. The major external forces are as follows:

(a) *Supply and Demand:* The availability of manpower both within and outside the organization is an important determinant in the recruitment process. If the company has a demand for more professionals and there is limited supply in the market for the professionals demanded by the company, then the company will have to depend upon internal sources by providing them special training and development programs.

(b) *Labour Market:* Employment conditions in the community where the organization is located will influence the recruiting efforts of the organization. If there is surplus of manpower at the time of recruitment, even informal attempts at the time of recruiting like notice boards display of the requisition or announcement in the meeting etc. will attract more than enough applicants.

(c) *Image/Goodwill:* Image of the employer can work as a potential constraint for e-recruitment. An organization with positive image and goodwill as an employer finds it easier to attract and retain employees than an organization with negative image. Image of a company is based on what organization does and affected by industry.

Example: Finance was taken up by fresher MBA's when many finance companies were coming up.

(d) *Political-Social-Legal Environment:* Various government regulations prohibiting discrimination in hiring and employment have direct impact on recruitment practices.

Example: Government of India has introduced legislation for reservation in employment for scheduled castes, scheduled tribes, physically handicapped, etc.

Also, trade unions play important role in recruitment. This restricts management freedom to select those individuals who it believes would be the best performers. If the candidate can't meet criteria stipulated by the union but union regulations can restrict recruitment sources.

(e) *Unemployment Rate:* One of the factors that influence the availability of applicants is the growth of the economy (whether economy is growing or not and its rate). When the company is not creating new jobs, there is often oversupply of qualified labour which in turn leads to unemployment.

(f) *Competitors:* The recruitment policies of the competitors also affect the recruitment function of the organizations. To face the competition, many a times the organizations have to change their recruitment policies according to the policies being followed by the competitors.

Self Assessment

Fill in the blanks:

4. The …………………… forces or factors are the factors that can be controlled by the organization.

5. Effective …………………… helps in determining the gaps present in the existing manpower of the organization.

6. The …………………… of an organization specifies the objectives of recruitment and provides a framework for implementation of recruitment program.

4.3 Seven Steps to Effective Recruitment

Having the right person, in the right place, at the right time, is crucial to organisational performance. Therefore, recruitment is a critical activity and should incorporate the following steps:

Step 1 – What's the Job?

Gather information about the nature of the job. Think about:

- The content (such as the tasks) making up the job

- The job's purpose

- The outputs required by the job holder

- How it fits into the organisation's structure

- The skills and personal attributes needed to perform the role effectively.

This analysis can form the basis of a job description and person specification.

Step 2 – Prepare a Job and Person Profile

A person specification or job profile states the necessary and desirable criteria for selection. Increasingly such specifications are based on a set of competencies identified as necessary for the performance of the job. Include:

- skills, aptitude, knowledge and experience

- qualifications (which should be only those necessary to do the job - unless candidates are recruited on the basis of future potential, for example graduates)

- personal qualities relevant to the job, such as ability to work as part of a team.

The document formed from the person specification can then be used to inform the criteria you use to shortlist applicants.

Step 3 – Finding Candidates

Internal methods: There are many options available for generating interest from individuals inside the organisation.

- Staff referrals

- Succession planning

- Secondments

- Job sharing

It is important not to forget the internal talent pool when recruiting. Providing opportunities for development and career progression is an important factor for employee retention and motivation

External methods: There are many options available for generating interest from individuals outside the organisation.

- Online recruitment

- Press advertising

- Networking

- Open days

Advertising remains the most common means of attracting and recruiting. Advertisements should be clear and indicate the:

- requirements of the job

- necessary and the desirable criteria for job applicants (to limit the number of inappropriate applications received)

- nature of the organisation's activities

- job location

- reward package

- job tenure (for example, contract length)

- details of how to apply.

Advertisements should be genuine and relate to a job that actually exists. They should appeal to all sections of the community using positive visual images and wording.

Step 4 – Managing the Application Process

There are two main formats in which applications are likely to be received: the curriculum vitae (CV) or application form. It is possible that these could be submitted either on paper or electronically and the use of e-applications (Internet, intranet and email) is now part of mainstream recruitment practices.

Application Forms

Application forms allow for information to be presented in a consistent format, and therefore, make it easier to collect information from job applicants in a systematic way and assess objectively the candidate's suitability for the job. Be aware that application form design is also important under the Disability Discrimination Act, 1995, it may be necessary to offer application forms in different formats.

CVs

The advantage of CVs is that they give candidates the opportunity to sell themselves in their own way and don't have the restrictions of fitting information into boxes as often happens on an application form. However, CVs make it possible for candidates to include lots of additional, irrelevant material which may make them harder to assess consistently.

Step 5 – Selecting Candidates

Selecting candidates involves two main processes: shortlisting and assessing applicants to decide who should be made a job offer.

Shortlisting

The process of shortlisting involves slimming down the total number of applications received to a shortlist of candidates you wish to take forward to the more detailed assessment phase of the selection process. When deciding who to shortlist, it is helpful to draw up a list of criteria using the person specification. Each application can then be rated according to these standards, or a simple scoring system can be used.

Assessment

A range of different methods can be used to assess candidates. These vary in their reliability as a predictor of performance in the job and in their ease and expense to administer. Typical methods include:

- General interview
- Competency based interview
- In tray exercise
- Role play
- Presentation

Step 6 – Making the Appointment

Before making an offer of employment, employers have responsibility for checking that applicants have the right to work in the UK and to see and take copies of relevant documentation – a list of acceptable documents demonstrating the right to work in the UK is available from the Home Office.

Contract

Offers of employment should always be made in writing. But it is important to be aware that an oral offer of employment made in an interview is as legally binding as a letter to the candidate.

References

A recruitment policy should state clearly how references will be used, when in the recruitment process they will be taken up and what kind of references will be necessary (for example, from former employers). These rules should be applied consistently.

Medical Examinations

It is reasonable to require completion of a health questionnaire where good health is relevant to the job. Any particular physical or medical requirement should be made clear in the job advertisement or other recruitment literature.

Step 7 – Induction

Induction is a critical part of the recruitment process, for both employer and new employee. An induction plan should include:

- Orientation (physical) – describing where the facilities are
- Orientation (organisational) – showing how the employee fits into the team and how their role fits with the organisation's strategy and goals
- Health and safety information – this is a legal requirement
- Explanation of terms and conditions
- Details of the organisation's history, its products and services, its culture and values
- A clear outline of the job/role requirements

Self Assessment

State whether the following statements are true or false:

7. Having the right person, in the right place, at the right time, is crucial to organisational performance.

8. A person specification or job profile states the necessary and desirable criteria for selection.

9. The process of assessment involves slimming down the total number of applications received to a shortlist of candidates you wish to take forward to the more detailed assessment phase of the selection process.

4.4 Selection: An Overview

Through the process of recruitment the company tries to locate prospective employees and encourages them to apply for vacancies at various levels. Recruiting, thus, provides a pool of applicants for selection. Selection is the process of obtaining and using information about job applicants in order to determine who should be hired for long- or short-term positions. To select mean to choose. Selection is the process of picking individuals who have relevant qualifications to fill jobs in an organisation. Selecting the wrong employees can lead to all sorts of problems down the line.

Example: Employees may fail to perform their jobs satisfactorily, they may leave soon after being hired because they are simply not a good fit for the company, or they may require extensive training and mentoring, which you may not have the time to provide.

The basic purpose is to choose the individual who can most successfully perform the job from the pool of qualified candidates. Selection can be defined as process of choosing the right person for the right job from a pool of different candidates who applied for a certain job. One of the last stages in recruitment and selection is selection itself, which includes the choice of methods by which an employer reduces a short-listed group following the recruitment stage, leading to an employment decision.

For most people, this is the only visible stage of the resourcing cycle because their experience of it is likely to be as a subject – or candidate – rather than involvement in planning the entire process. While recruitment can be perceived as a positive activity generating an optimum number of job-seekers, selection is inherently negative in that it will probably involve rejection of applicants.

Caution It would be prudent to argue that selection decisions should be based on a range of selection tools as some have poor predictive job ability. While it is almost inconceivable that employment would be offered or accepted without a face-to-face encounter, many organisations still rely almost exclusively on the outcome of interviews to make selection decisions.

Employees who are a good fit for your company, and have the skills and expertise required to do the job for which they are hired, are much more likely to meet expectations and stay in the position for a considerable time. On the other hand, employees who are chosen poorly and lack the previously mentioned qualities will likely be terminated or leave on their own, often soon after hiring. Your company will then be back to square one, trying to fill the empty position, which can be a costly endeavor. Meanwhile, other good employees often suffer because they must take on the duties of the empty position until it is filled once again.

4.4.1 Importance of Selection Process

Selection means to choose the person from among the prospective candidates to fill in the vacant posts in the organisation. The success of the organisation depends upon the quality of personnel selected for the job. Thus, selection of personnel is the most important function of the personnel management. The importance of selection may be judged from the following facts.

1. *Procurement of Qualified and Skilled Workers:* Scientific selection facilitates the procurement of well qualified and skilled workers in the organisation. It is in the interest of the organisation in order to maintain the supremacy over the other competitive firms. Selection of skilled personnel reduces the labour cost and increases the production. Selection of skilled personnel also facilitates the expansion in the size of the business.

2. *Reduced Cost of Training and Development:* Proper selection of candidates reduces the cost of training because qualified personnel have better grasping power. They can understand the technique of the work better and in no time. Further, the organisation can develop different training programs for different persons on the basis of their individual differences, thus reducing the lime and cost of training considerably.

3. *Absence of Personnel Problems:* Proper selection of personnel reduces personnel problems in the organisation. Many problems like labour turnover, absenteeism and monotony shall not be experienced in their severity in the organisation. Labour relations will be better because workers will be fully satisfied by the work. Skilled workers help the management to expand the business and to earn more profits and management in turn compensate the workers with high wages, benefits, etc.

4.4.2 Essentials of Selection Procedure

The selection process can be successful if the following requirements are satisfied:

1. Some one should have the authority to select. This authority comes from the employment requisition, as developed by an analysis of the work-load and work-force.

2. There must be some standard of personnel with which a prospective employee may be compared, i.e. a comprehensive job description and job specification should be available beforehand.

3. There must be a sufficient number of applicants from whom the required number of employees may be selected.

4.4.3 Factors Affecting Selection Decisions

The goal of selection is to sort out or eliminate those judged unqualified to meet the job and organizational requirements, whereas the goal of recruitment is to create a large pool of persons available and willing to work. Thus, it is said that recruitment tends to be positive while selection tends to be some what negative. A number of factors affect the selection decision of candidates. The important among them are:

1. *Profile Matching:* Tentative decision regarding the selection of candidates (who are known) is taken in advance. The scores secured by these known candidates in various tests are taken as a standard to decide the success or failure of other candidates at each stage. Normally, the decision about the known candidates is taken at interview stage. Possible care is also taken to match the candidate bio-data with the job specifications.

2. *Organizational and Social Environment:* Some candidates, who are eminently suitable for the job, may fail as successful employees due to varying organizational and social environment. Hence, candidate specifications must match with not only job specifications but also with organizational and social environmental requirements.

3. *Successive Hurdles:* In this method, hurdles are created at every stage of selection process. Therefore, applicants must successfully pass each and every screening device in case of successive hurdles.

4. *Multiple Correlations:* Multiple correlations is based on the assumption that a deficiency in one factor can be counter-balanced by an excess amount of another. The composite test score index is taken into accounting the selection tests. Hence, for broader line cases multiple correlation method is useful and for other successive hurdles method is useful.

4.4.4 Distinctive Features of Recruitment and Selection

Both recruitment and selection are the two phases of the employment process. The differences between the two are:

1. Recruitment is the process of searching the candidates for employment and stimulating them to apply for jobs in the organisation WHEREAS selection involves the series of steps by which the candidates are screened for choosing the most suitable persons for vacant posts.

2. The basic purpose of recruitments is to create a talent pool of candidates to enable the selection of best candidates for the organisation, by attracting more and more employees to apply in the organisation WHEREAS the basic purpose of selection process is to choose the right candidate to fill the various positions in the organisation.

3. Recruitment is a positive process i.e. encouraging more and more employees to apply WHEREAS selection is a negative process as it involves rejection of the unsuitable candidates.

4. Recruitment is concerned with tapping the sources of human resources WHEREAS selection is concerned with selecting the most suitable candidate through various interviews and tests.

5. There is no contract of recruitment established in recruitment WHEREAS selection results in a contract of service between the employer and the selected employee.

6. Recruitment is done by the personnel department which consists of staff officers. So recruitment is a staff function WHEREAS selection is done by the particular department which has a vacancy. So selection is a line function.

7. Normally, recruitment is not expensive as it mostly involves only advertisement cost WHEREAS selection is very costly. This is because a lot of money is spent on conducting different types of tests, interviews, medical examinations, etc. Similarly, the experts who conduct selection procedure are paid very high fees. This makes selection a very costly process.

8. Recruitment is objective in nature WHEREAS selection is subjective in nature. So there are more chances of favouritism and bias in a selection process.

9. Recruitment proceeds with a selection. That is, recruitment comes before selection. Recruitment provides the candidates for selection WHEREAS selection follows recruitment. That is, selection comes after recruitment. Selection is done from the candidates who are provided by recruitment.

10. Recruitment is a simple process as does not require help from experts WHEREAS selection is a complex process. Experts are required to conduct the test, interviews, etc. Psychologists are required to conduct written tests. Subject experts are required to conduct interviews. Similarly, Doctors are required to conduct medical check-ups, physical fitness, etc. So different experts are required for different steps in the selection procedure.

4.4.5 Types of Selection Test

Different selection test are adopted by different organization depending upon their requirements. These tests are specialized test which have been scientifically tested and, hence, they are also known as scientific test. Different types of test can be explained with the help of Figure 4.3:

Figure 4.3: Types of Selection Test
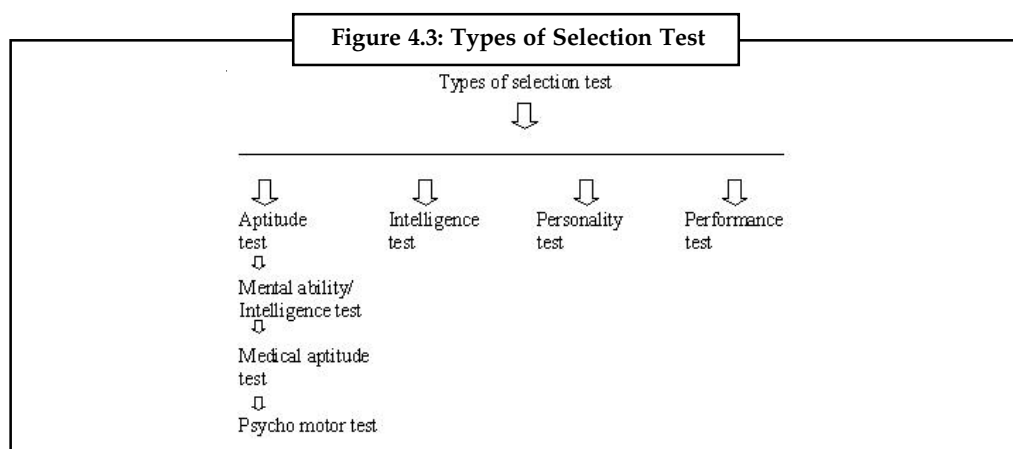
Source: http://studyvalue.com/_management_sciences/_hrm/selection_process_21.html

The types of selection test which are discussed below:

1. *Aptitude test:* Aptitude tests are test which assess the potential and ability of a candidate. It enables to find out whether the candidate is suitable for the job. The job may be managerial technical or clerical. The different types of aptitude test are the following:

   (a) *Mental ability/mental intelligence test:* This test is used to measure the over all intelligence and intellectual ability of the candidate to deal with problems. It judges the decision making abilities.

   (b) *Medical aptitude test:* This test deals with the ability of the candidate to do medical work. It is used to judge and measure the specialized knowledge and problem solving ability.

   (c) *Psycho motor test:* This test judges the motor skills the hand and eye coordination and evaluates the ability to do jobs lie packing, quality testing, quality inspection etc.

2. *Intelligence test:* This test measures the numerical skills and reasoning abilities of the candidates. Such abilities become important in decision making. The test consists of logical reasoning ability, data interpretation, comprehension skills and basic language skills.

3. *Personality test:* In this test, the emotional ability or the emotional quotient is tested. This test judges the ability to work in a group, inter personal skills, ability to understand and handle conflicts and judge motivation levels. This test is becoming very popular now days.

4. *Performance test:* This test judges and evaluates the acquired knowledge and experience of the knowledge and experience of the individual and his speed and accuracy in performing a job. It is used to test performance of typist, data entry operators, etc.

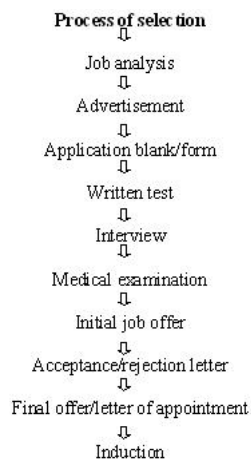## Self Assessment

Fill in the blanks:

10. .... can be defined as process of choosing the right person for the right job from a pool of different candidates who applied for a certain job.

11. .... test judges the motor skills the hand and eye coordination and evaluates the ability to do jobs.

12. .... test judges and evaluates the acquired knowledge and experience of the knowledge and experience of the individual and his speed and accuracy in performing a job.

4.5 Selection Procedure

The process of selection is not the same in all organizations; it can be different in many organizations depending upon the nature of that organization. Effective selection can be done only when there is effective matching. By selecting best candidate for the required job, the organization will get quality performance of employees. Moreover, organization will face less of absenteeism and employee turnover problems. By selecting right candidate for the required job, organization will also save time and money. Proper screening of candidates takes place during selection procedure. All the potential candidates who apply for the given job are tested. However, one particular type of selection is approved by most organizations; it can be explained with the help of Figure 4.4:

Figure 4.4: Selection Process

Process of selection
⇩
Job analysis
⇩
Advertisement
⇩
Application blank/form
⇩
Written test
⇩
Interview
⇩
Medical examination
⇩
Initial job offer
⇩
Acceptance/rejection letter
⇩
Final offer/letter of appointment
⇩
Induction

*Source:*http://studyvalue.com/_management_sciences/_hrm/define_selection_20.html

The selection processes which are explained below:

1. *Job analysis:* The very first step in the selection procedure is the job analysis. The HR department prepares the job description and specification for the jobs which are vacant. This gives details for the jobs which are vacant. This gives details about the name of the job, qualification, qualities required and work conditions, etc.

2. *Advertisement:* Based on the information collected in step 1, the HR department prepares an advertisement and publishes it in a leading news papers. The advertisement conveys details about the last date for application, the address to which the application must be sent etc.

3. *Application blank/form:* Application blank is the application form to be filled by the candidate when he applies for a job in the company. The application blank collects information consisting of the following five parts:

    (a) Personal details

    (b) Educational details

    (c) Work experience

    (d) Family background

    (e) Written test

    The applications which have been received are screened by the HR department and those applications which are incomplete are rejected. The other candidates are called for the written test. Arrangement for the written test is looked after the HR department, i.e. question papers, answer papers, examination centers and hall tickets, etc.

5. *Interview:* Candidates who have successfully cleared the test are called for an interview. The entire responsibility for conducting the interview lies with the HR department, i.e., they look after the panel of interviewers, refreshments, informing candidates, etc.

6. *Medical examination:* The candidates who have successfully cleared the interview are asked to take a medical exam. This medical exam may be conducted by the organization itself (army). The organization may have a tie up with the hospital or the candidate may be asked to get a certificate from his family doctor.

7. *Initial job offer:* Candidates who successfully clear the medical exam are given an initial job offer by the company stating the details regarding salary, terms of employment, employment bond if any, etc. The candidate is given some time to think over the offer and to accept or reject.

8. *Acceptance/rejection:* Candidates who are happy with the offer send their acceptance within a specified time limit to show that they are ready to work with the company.

9. *Letter of appointment/final job offer:* Candidates who send their acceptance are given the letter of appointment. The letter will state the name of the job. The salary and other benefits, number of medical leaves and casual leaves, details of employment bond if any, etc. It will also state the date on which the employee is required to start duty in the company.

10. *Induction:* On the date of joining the employee is introduced to the company and other employees through am elaborate induction program.

Did u know? **Recruitment and Selection Process in Wipro**

Wipro is India's largest IT services provider with gross revenue of $6.03 billion in the past financial year. The company is into integrated business, technology and process solutions at a universal basis. The company employs more than 115000 people and is headquartered in Bangalore, India (Web 01). The company is also in other sectors like consumer care, lighting, engineering and healthcare. The company was established in 1945 by M. H. Premji. But it was his son and current chairman, Azim Premji who transformed the company into one of the most reputed brands in India. Solely due to his efforts, the company now has more than 40 'Centers of Excellence' and operates in 4 continents.

Like every successful company, Wipro also gives high importance to Human Resource Management. The company is India's 6th top employer. But, the company is not even in the top 20 best employers of the country while their competitors like TCS, Infosys, etc. are always in the top ten (Web 02). Therefore, it can be judged that the HR functions in the company need to be thoroughly reviewed.

In simple terms, recruitment can be referred to as the process of searching and attracting competent employees for a particular job (Aswathappa, 2005). Companies invest a lot on recruitment process in order to avoid inappropriate selection. The recruitment process of Wipro is also structured in a detailed manner and involves three rounds:

Round 1 – Written test

1. *Verbal:* This is the first section of the written test where 15 questions will be asked to the candidates to test their proficiency in English language and include questions related to synonyms, opposites, similes, prepositions, etc. A comprehension passage also might be included for the candidates to read.

2. *Aptitude:* This section also have 15 questions that are concerned with aptitude topics like time & work, time & distance, puzzles, calendars, ratio proportions, ages, pipes, etc.

3. *Technical:* This is quite an important part of the written test and involves 20 questions which are meant to test the technical knowledge of the applicant in C, C++, Java, Linux, UNIX, DBMS, SQL, Programming fundamentals, Hardware, Software Engineering, Micro-Processors, etc. The questions will be mainly based upon the technical aspects studied as a part of university syllabus.

Round 2 – Technical Interview

The second round is the most important elimination stage in the recruitment process. In this stage, the candidates must have through knowledge in the basic technical skills in order get them cleared from there. Therefore, the candidates are asked to get prepared on their academic subjects before sitting for this round.

Round 3 – HR Interview

This is found to be the hardest part of the recruitment process. This round is found to be a real test for even the most competent candidates. The most common questions that re asked in this round include speak about oneself, why should the company hire the candidate, why did he wish to join Wipro, etc. The emotional quotient of the candidate is tested in this round in order to check whether he is able to withstand the pressures of the job. The other aspects that are being tested here involve communication and vocabulary of the candidate.

Round 4 – Placement

Once the candidate is selected, he will be provided with an employee code number by the HR manager and a joining form will also be handed over to him which he has to fill up. This turns him from a candidate to an employee.

Almost 40% of the employees of Wipro are selected directly from campus recruitments. Another source of recruitment is through the NSR (National Skill Registry).

Source: http://www.ukessays.com/essays/business/recruitment-and-selection-process-in-wipro-business-essay.php

Self Assessment

State whether the following statements are true or false:

13. The process of selection is the same in all organizations.

14. Application blank is the application form to be filled by the candidate when he applies for a job in the company.

15. The candidate is not given time to think over the offer and to accept or reject.

4.6 Types of Selection Methods

Selection methods are the tools and techniques used to measure a candidate's performance against a position's selection criteria. Following are the types of methods of selection:

1. *Application Forms:* Application forms are a means of collecting written information about an applicant's education, work and non-work experiences, both past and present. Almost all organizations request applicants to complete an application form of some type. Application forms typically request information on an applicant's home address, last employer, previous work experience, education, military service, and other information pertinent to employment, such as names and addresses of references. The application form also serves as a guide for the employment interview. Inviting applications by CV makes things easier for applicants, but the resulting tidal wave can be horrendous; trying to sort through a pile of CVs, all with different formats and with widely varying levels of presentation, can be extremely time consuming and can make it difficult to spot key information.

Consequently, many organisations have designed their own standard application form. These generally are divided into a number of sections covering areas such as:

- ❖ knowledge, skills and attitudes;

- ❖ experience;

- ❖ physical criteria; and,

- ❖ any other requirements.

2. *Interviews:* Many people dislike the interview process, both as an interviewee and an interviewer. Although, the interview is the most popular form of selection, it is also the least useful in predicting the performance of candidates on the job. Much of the reason that interviews are such a bad predictor is because interviewers simply don't like being in a face-to-face situation where people are asking them for something (in this instance a job!), or because they have a total misperception of the interview process.

   Other problems include those people who were appointed to the post on the basis of 'gut feeling' and those who bring their unrecognised and recognised prejudices to the process of selection. Imagine someone who wouldn't appoint short people (too pushy), bearded people (something to hide), people who wear suede shoes (unreliable), people who are too thin (personality problems), and people who are the 'wrong' star sign! Interviews are none the less an important method of exchanging information, but only if they are approached in the right way.

3. *Group selection methods:* When working with other people is an important part of the selection process, it could be useful to consider a group selection method. This could involve asking a group of candidates to carry out a task and observing the ways in which they interact. The task need not be particularly complicated. It could, for instance, involve the group designing and delivering a presentation on the changing nature of the world of work.

   You could observe the group and look out for the people who seem to demonstrate the sort of qualities that the job requires; those who were verbally skilled, those who showed leadership behaviour, those who mediated when squabbles broke out, etc.

   It is important to tell people what sort of qualities you are looking for before you start such an exercise, as if you do not give clear goals, some potentially viable candidates may try to second-guess you and demonstrate completely untypical behaviours. Where clear goals exist, candidates may also show untypical behaviours, but this is very difficult to do successfully.

4. *Realistic job previews:* Methods like this are time-consuming and there are serious issues of confidentiality, but if you can screen your shortlist down to two or three candidates, there's no reason why you shouldn't bring them in and give them a problem to handle.

   You do need to make sure that the problem has a clear solution; preferably, it would be a problem that you've already dealt with successfully.

   A benefit with realistic job previews is that they can involve more staff in the selection procedure. People tend to work well with candidates whom they have seen and had some say about.

5. *References:* Written references have some drawbacks; perhaps someone wants rid of an employee – they certainly won't give a poor reference under those circumstances. Poor references could also turn out to be libellous, although one of the main problems is that people just don't know what you're asking for. The most accurate references may come from face-to-face or telephone interviews with someone who has had direct experience of the candidate's work.

If you're writing, you could ask for a telephoned reply or say that you will telephone them. Where this isn't possible, enclose a copy of the information that you have collected about the job and ask the referee if the candidate is suitable for this job. To get the best response, allow a decent length of time for reply and do not send a massive form for the referee to complete.

6. *Assessment Centres:* An assessment centre will put candidates through a series of tests, exercises and perhaps interviews, lasting, typically, a day. Candidates are observed by a team of assessors, with others acting as facilitators. Tests and exercises are used which are designed to predict how candidates will perform in the workplace. Realistic job previews, lateral thinking exercises, psychometric tests and practical demonstrations are all popular events in an assessment centre.

Caution Care must be given to select tests that will draw out appropriate skills, knowledge and ability, and assessment must be weighted so demonstration of more desirable attributes wins more 'points' than those that are 'nice to have' but not essential.

7. *Tests Abilities, Aptitudes, and Skills:* It is possible that when defining the person specification criteria that some criteria prove hard to assess either through the application form or CV, or via the interview. Tests used for screening applicants on the basis of skills, abilities, and aptitudes can be classified as either paper and pencil tests or job sample tests. Both kinds are scored, and minimum scores are established to screen applicants. The "cut-off" score can be raised or lowered depending on the number of applicants. If selection ratios are low, the cut-off score can be raised, thereby increasing the odds of hiring well-qualified employees. Tests should be selected only after thorough and careful job analysis.

Example: Examination of a job description for an auto mechanic would probably show that manipulation of parts and pieces relative to one another and the ability to perceive geometric relationships between physical objects were required. These abilities are a part of a construct called mechanical aptitude.

Various parts of mechanical aptitude can be measured using both paper and pencil or job sample tests. Job sample tests, which require applicants to demonstrate specific job duties, can also be used to measure mechanical ability. For example, applicants for a mechanic's job could be asked to locate and fix a number of things wrong with a car or truck. Organizations can develop their own job sample tests. Closely related to job sample tests are job simulation exercises that place an applicant in a simulated job situation to see how well he or she can cope.

Example: If some IT skills are needed for the posts, such as Access database skills, how will you know that the candidates meet the standard that you are expecting in the job? A candidate can tell you or write down that they have these skills, and even describe how they use the system, but it is hard to be sure. If this is an important part of the role, it may be worth using a test. In this case, the recruitment advisor could assist you in developing a test to be used as part of the shortlisting process, perhaps to reduce a field of 12 candidates to 4 or 5 for interviews.

There are also tests, e.g., numerical reasoning, verbal reasoning, critical thinking, manual dexterity which can be bought off the shelf. We do not currently stock these but can access and deliver them on your behalf.

8. *Psychometric Tests:* These are particularly useful if you want to assess candidates for managerial or senior appointments or candidates for appointments where there is a special need for the post – such as strong relationship building skills. These types of test are especially good at assisting with assessing how candidates are likely to behave, for example, towards a manager, towards their peers, and towards their subordinates. They will often provide a profile which should be discussed with the candidate to check validity, as they are self perception questionnaires. Candidates should also be given feedback on the profile. The profile should be a part of the assessment, contributing perhaps up to 10% towards the final decision. They should be used carefully as they need to be used in the right way by properly trained assessors.

9. *Presentations:* Presentations can be used in a variety of ways depending on how they relate to the job description and the normal working practices expected of the post.

Example:

(a) For a post which is required to respond to a committee or the public in a very short timescale given a few facts, candidates could be asked to simply arrive early to the interview, be quickly briefed and given half an hour to prepare a 5 minute presentation, and deliver it orally with no supports.

(b) However, if the job requires a person to take time to prepare and deliver lectures of say 45 minutes, they would normally have time to prepare properly, so it would be unreasonable to give them the same task as the one above. They should receive the topic well in advance and have time beforehand to prepare their delivery.

In assessing presentations, it is important to have the decided on the criteria against which each candidate will be marked. These could include criteria which will also be assessed at interview, but may take on a particular aspect – e.g., communications skills could be assessed in the interview but will be mainly looking at how the person communicates with the panel and gets their points across, as well as how they interact with the members of the panel. In a lecture style presentation, the candidates' communications skills to a large group will be assessed, which is much more formal delivery.

For the panel of interviewers, it is important that they attend all the presentations if possible. If others are involved in assessing, e.g. an audience for a lecture presentation, then the audience should be allowed to provide their views to the panel to make the process worthwhile. This may be done by asking the audience to email to one person on the panel, giving the audience a framework for their comments. This may not mean specifying all the criteria to them but perhaps asking them to comment on tone, delivery, content, suitability, interest, enthusiasm, etc.

Finally, the panel should be prepared to give feedback on candidates' presentations.

10. *Other methods:* Perhaps the most popular of the other methods available is psychometric testing, which offers actual tests in areas such as intelligence and personality characteristics. These include Raymond Cattell's 16 PF Test, which broadly demonstrates candidates' emotional stability. The Myers Briggs Test is reasonably user-friendly (it's short) and purports to identify people by personality characteristics such as extrovert vs introvert and thinking vs feeling.

Finally, there are selection methods which use samples of candidates' handwriting (graphology), their star sign (astrology) or which select through palmistry. Little evidence exists to support these as adequate predictors of performance.

Task You have been appointed as the Personnel Director of ABC Industries, a fast growing industrial empire in India. It proposes to select some managerial trainees. What procedure you will follow for the recruitment and selection of such personnel? Discuss the steps in brief.

Self Assessment

Fill in the blanks:

16. When working with other people is an important part of the selection process, it could be useful to consider a .... method.

17. A benefit with .... is that they can involve more staff in the selection procedure.

18. .... should be selected only after thorough and careful job analysis.

Case Study **Recruitment and Selection at Enterprise Rent-a-Car**

Enterprise Rent-a-Car (Enterprise) was founded by Jack Taylor in 1957 in the basement of a car dealership in St Louis in the USA. The business began with only seven cars. Today, Enterprise is the largest car rental business in North America with more than 7,000 offices in the USA and more than 900 in Canada, Puerto Rico, the UK, Germany and Ireland. In 2007, Enterprise had 728,000 rental cars in use, employing over 65,000 people with an annual turnover of over £4.5 billion.

There are four operating units: Enterprise Rent-a-Car, Enterprise Fleet Management, Enterprise Car Sales and Enterprise Rent-a-Truck. Whilst customers within each of these markets need different products, all customers, whether business or private, need a speedy, convenient and reliable service. The car rental market is increasingly competitive. Enterprise continues to expand its range of services to meet customers' needs. In addition to business rentals at airport and city locations, it also provides replacement cars for accident repairs, courtesy cars for garages and short-term holiday rentals for breaks or special occasions. Enterprise also offers a collection service to take customers to their hire cars.

Maintaining high levels of customer satisfaction is a key driver of growth for Enterprise. Enterprise emphasises delivering first-class customer service, regularly winning awards for its efforts in this area. Its small, local office structure and entrepreneurial team working means its employees are able to make decisions independently to achieve their goals.

Human Resource Management

Through effective training and development, employees at Enterprise achieve promotion within the company and reach their full potential. This reduces the need for external recruitment and makes maximum use of existing talent. This is a cost-effective way for a business to manage its people. The HRM function not only manages existing staff, it also

Contd...

plans for changes that will affect its future staffing needs. This is known as workforce planning. For example,

1. The business may grow into new markets, such as Enterprise moving into truck rental.

2. It may use new technology which requires new skills e.g. global positioning equipment.

3. Staff may retire or be promoted, leaving gaps which need to be filled.

There may also be external changes in the labour market, meaning that there will be fewer skills available or too many in a particular area. HRM monitors all of these things in planning recruitment strategy. This places the HRM function in a central role in the business because all managers use this expertise to acquire staff.

Enterprise has a policy of promoting its managers from within its existing workforce. This means the business must recruit people with the potential to grow. Each year, Enterprise recruits an average of 1,000 staff into its graduate recruitment programme in the UK and Ireland. To achieve its aims and objectives, Enterprise needs staff who are motivated and who possess initiative and drive. Promoting managers and offering career opportunities from within the company has a positive affect on Enterprise. Employees remain happy, will stay longer and give their best. However, with growth and diversification there is always a need for external recruitment to provide new skills or increase the business capacity for expansion.

In order to attract high quality candidates, Enterprise is raising the company profile within UK universities using Campus Brand Managers. These are students or interns who work for Enterprise and act as liaisons for potential applicants. Other activities in universities to attract interested applicants include:

1. Presentations on the company

2. Relationships with clubs and organisations

3. Attending Careers Fairs

4. 'Drop-in' sessions

5. Skills sessions

6. Mentoring programs

Enterprise offers a good salary and training as part of its benefits. However, the real attraction is the chance of a career rather than just a job. Most employees start out as Management Trainees with the potential to progress to Vice President/General Manager. Employees also have opportunities to specialise in specific areas such as finance, human resource management, vehicle acquisition, risk management and many others. This allows individuals to develop their career path as they progress within the company. Enterprise makes every effort to ensure that its workforce is representative of the cultural and ethnic diversity in the wider population. Job advertisements state: 'Enterprise Rent-a-Car seeks and values people of all backgrounds because every employee, customer and business partner is important. We are proud to be an equal opportunities employer.' Through its 11 local UK and Irish teams supporting recruitment, Enterprise ensures that the staff in its branches reflects the areas they serve. This helps to develop a 'culturally aware' workforce.

Recruitment

Enterprise's online recruitment process is an important part of its strategy. This improves the speed and efficiency of the application for both the company and the applicant.

The website provides a registration function and lists available jobs. It also provides a lot of information about the Management Trainee role and the company culture and values. This allows applicants to get a good idea of whether Enterprise would suit them. New recruits can enter the business in different ways.

1. An 'internship' scheme is available for first and second year university students. This gives students an opportunity to work with Enterprise. Students gain valuable experience and there is the possibility of becoming a full-time employee after graduation. Interns participate in an initial classroom-based training session. After this, they work in a branch office where they begin on-the-job training.

2. Interns take on the same responsibilities as management trainees and learn about sales, marketing, customer service, business management and administration support.

3. The Enterprise Graduate Management Trainee programme offers graduates a fast-track career path with opportunities for self development and quick progression.

4. Within as little as 8-12 months, they can move up to a Management Assistant then on to Assistant Manager. The role includes providing a great customer experience, marketing the business and selling the service, as well as dealing with business partners such as insurance companies, dealerships and auto body shops.

5. Enterprise advertises its vacancies and opportunities across a wide range of media. This includes media such as newspapers, magazines and online.

To target graduate recruits, Enterprise has developed a dedicated recruitment brand and website - 'Come Alive'. The website shows potential employees the benefits of career opportunities with Enterprise and provides a medium through which students can submit their applications. It also presents profiles of Enterprise employees with their career stories. Enterprise also uses specialist graduate recruitment websites at peak times throughout the year in order to attract the maximum audience. Approximately 50% of its total UK and Ireland workforce is recruited via the website strategy.

Selection

Selection is the process of identifying the best candidate for the role in question. This is important as the candidates who apply may not always have the correct set of skills and competencies required by the business. Enterprise seeks competencies in its recruits both for an immediate job role and also for development over the longer term to support the business growth. HR managers often use standard documentation in order to match job roles with personal qualities and skills. These include:

1. The job description - this summarises a job role within an organisation and lists the main tasks.

2. A person specification - this highlights the characteristics a candidate needs for a post, as well as the desirable qualities the company is looking for.

Enterprise combines the person specification within the job description by using a skills and competencies framework. The Enterprise selection process offers candidates several opportunities to show their best in different situations:

1. To screen candidates, Enterprise recruitment managers compare the online application forms (which reflect candidates' CVs) to the skills and competencies the role needs.

2. Candidates then have an initial face-to-face interview with an Enterprise recruitment manager.

Contd...

3. This is followed by an interview with a branch manager.

4. From this, selected candidates are invited to an assessment day.

5. The assessment day is a standard part of the Enterprise recruitment process. Candidates take part in practical exercises, including role-play, as well as individual and group activities. Role-play is a valuable way of testing core skills like communication and customer service. Enterprise can assess a candidate's performance by different methods and in different work related tasks. This makes the selection process fairer. Areas tested include customer service skills, flexibility, sales aptitude, work ethic, leadership and teamwork. The assessment day ends with another interview with a senior manager in order to make the final selection.

A service-orientated business like Enterprise must deliver perfect service every time to keep customers satisfied. An unhappy customer is unlikely to come back. Enterprise operates in a highly competitive marketplace. In order to continue its growth and expansion, Enterprise focuses on delivering very high levels of customer satisfaction. Its strategy of recruiting people with the right skills and competencies helps the business to carry out its aims and objectives. In order to keep these key skills in the business, Enterprise provides continuing development and training for its people as they progress along a long-term career path.

Questions:

1. In a competitive market, what does Enterprise do differently to attract high quality candidates?

2. What competencies does Enterprise look for when recruiting in order to maintain its high levels of customer service?

3. How does Enterprise's strategy of providing a career path benefit the company?

Source: http://www.thetimes100.co.uk/downloads/enterprise/enterprise_14_full.pdf

4.7 Summary

- The Recruitment and selection are the two phases of the employment process.

- Recruitment is the action of finding new people to join an organisation. In this process organisations attract, screen, interview and select a qualified individual.

- A vacancy presents an opportunity to consider restructuring, or to reassess the requirements of the job.

- After identifying the sources of human resources, searching for prospective employees and stimulating them to apply for jobs in an organization.

- This may be either through advertisements, agencies or direct references from the existing employees of the organization.

- The next action to be taken shall be the management has to perform the function of selecting the right employees at the right time.

- The purpose of recruitment is to create a kind of talent base from which the best may be picked for the various posts in the organization while on the other hand the very purpose of selection lies in the choosing of the right candidate for the right post or job available in the organization for which the talent base was built.

- All organizations, whether large or small, do engage in recruiting activity, though not to the same intensity.

- The goal of selection is to sort out or eliminate those judged unqualified to meet the job and organizational requirements, whereas the goal of recruitment is to create a large pool of persons available and willing to work.

- Different selection test are adopted by different organization depending upon their requirements.

- By selecting best candidate for the required job, the organization will get quality performance of employees.

- Selection methods are the tools and techniques used to measure a candidate's performance against a position's selection criteria.

4.8 Keywords

Application Forms: Application forms are a means of collecting written information about an applicant's education, work and non-work experiences, both past and present.

Aptitude Test: Aptitude tests are test which assess the potential and ability of a candidate.

Competitive Advantage: A competitive advantage is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices.

E-Recruitment: E-Recruitment is the use of technology to assist the recruitment process.

External Recruitment: The assessment of the current available pool of job candidates, other than existing staff, to ascertain if any are sufficiently skilled or qualified to fill and perform existing job vacancies.

Human Resource Planning: Human resources planning refer to classic HR administrative functions, and the evaluation and identification of human resources requirements for meeting organizational goals.

Intelligence Test: This test measures the numerical skills and reasoning abilities of the candidates.

Internal Advertisement: In this method vacancies in a particular branch are advertised in the notice board.

Internal Recruitment: It is a recruitment which takes place within the concern or organization. Internal sources of recruitment are readily available to an organization.

Outsourcing: Outsourcing is the contracting out of an internal business process to a third party organization.

Performance Test: This test judges and evaluates the acquired knowledge and experience of the knowledge and experience of the individual and his speed and accuracy in performing a job.

Poaching/Raiding: Poaching means employing a competent and experienced person already working with another reputed company in the same or different industry; the organisation might be a competitor in the industry.

Recruitment: Recruitment is the process of hiring talented employees for certain jobs by motivating them to apply for those jobs which are available in organization.

Recruitment Policy: The recruitment policy of an organization specifies the objectives of recruitment and provides a framework for implementation of recruitment program.

Selection: It is the process of obtaining and using information about job applicants in order to determine who should be hired for long- or short-term positions.

4.9 Review Questions

1. Distinguish between recruitment and selection.

2. Highlight the objectives of recruitment.

3. Discuss the sources of recruitment. Explain with the help of advantages and disadvantages.

4. Elucidate the recent trends in recruitment.

5. Describe the internal and external forces affecting recruitment function of an organization.

6. Discuss the seven steps to effective recruitment.

7. Highlight the essentials of selection procedure.

8. Discuss the types of selection test.

9. Explain the selection procedure.

10. Elucidate various types of selection methods.

Answers: Self Assessment

1.	True	2.	False
3.	False	4.	Internal
5.	Human Resource Planning	6.	Recruitment Policy
7.	True	8.	True
9.	False	10.	Selection
11.	Psycho motor	12.	Performance
13.	False	14.	True
15.	False	16.	Group Selection
17.	Realistic Job Previews	18.	Tests

4.10 Further Readings

Books   Aswathappa, K. (2007), "*Human Resource and Personnel Management*, Tata McGraw Hill.

Bhattacharyya, D. K. (2006), *Human Resource Management*, Excel Books.

Mathis, Robert L & Jackson, John H. (2007), *Human Resource Management*, Thomson.

Rao, P. L. (2004), *Comprehensive Human Resource Management*, Excel Books.

Rao, VSP (2005), *Human Resource Management*, Excel Books.

Online links

http://recruitment.naukrihub.com/

http://recruitment.naukrihub.com/recent-trends.html

http://studyvalue.com/_management_sciences/_hrm/recruitment_17.html

http://www.cipd.co.uk/NR/rdonlyres/01F95685-76C9-4C96-B291-3D5CD4DE1BE5/0/9781843982579_sc.pdf

http://www.managementstudyguide.com/types-of-recruitment.htm

http://www.scribd.com/doc/50093870/20/Objectives-Of-Recruitment

http://www.simplehrguide.com/recruitment-definition.html

http://yourbusiness.azcentral.com/objectives-recruitment-agency-8713.html

Unit 5: Induction and Placement

Objectives

After studying this unit, you will be able to:

●   Discuss an overview of Induction or Orientation Process

●   Describe the contents of Induction Programme

●   Explain an overview of Placement

Introduction

In the previous unit, we dealt with the meaning, factors affecting and steps to effective recruitment along with the meaning, procedure and types of selection methods. After an applicant has been hired, he or she must be oriented and placed on the chosen job. Companies conduct recruitment and selection and finally select employees. The employees undergo an induction program. After the induction program is over the employee is given a specific job in the company. This is called placement. The purpose of this unit is to enable the students to comprehend basic expressions. At the end of this unit, you should be able to understand the meaning, importance,

types and contents of induction programme along with the meaning, significance, principles and problems in placement.

5.1 Induction or Orientation Process: An Overview

Once an employee is selected and placed on an appropriate job, the process of familiarizing him with the job and the organization is known as induction. Induction is the process of receiving and welcoming an employee when he first joins the company and giving him basic information he needs to settle down quickly and happily and stars work. Induction refers to the introduction of a person to the job and the organisation. The purpose is to make the employee feel at home and develop a sense of pride in the organisation and commitment to the job. The induction process is also envisaged to indoctrinate, orient, acclimatise, acculture the person to the job and the organisation.

Induction can be defined as a process of introducing the employee who is newly elected to the organization. When an employee is given a letter of appointment he joins the company on duty. The very first thing that the company does is, introduces the new employee to the organization and people working there. An induction program may be conducted at a particular center for all employees or at different places (branches of the company) for different employees. Normally, the new employee is called together to the staff training college for the induction program.

<p align="center">Induction = Orientation</p>

Induction also called Orientation is designed to provide new employees with the information needed to function comfortably and effectively in the organization. Typically, socialization conveys three types of information: (1) general information about the daily work routine; (2) a review of the organization's history, purpose operations and products or services, as well as a sense of how the employee's job contributes to the organization's needs and (3) a detailed presentation (perhaps in a brochure) of the organization's policies, work rules, and employee benefits.

The induction starts with an introduction secession about the company, number of branches, a brief history of the company, number of products, number of countries operating in, organizational structure, culture, values, beliefs, the names of top management personnel, etc. Apart from this introductory secession, there will be other secessions also like secessions on behavioural science, soft skill training, secessions on giving details about the job, salary, bonus, information about different leaves that can be taken by the employee about upward mobility in the organization, etc. There are different ways in which secessions can be conducted, i.e. using lecture method, power point presentation, group discussion, psychological test, roll play secessions etc.

The induction program concludes with the employee reporting for duty at his respective branch after induction. When he reports for duty the senior most people in the branch takes the new employee around the office and introduces to all other employees and gives information about the working of the branch. The senior people regularly stay in touch with the new employee in the first week so that he can make the new employee comfortable and help him to adjust to the company. After this, the company may start a training program for the new employee.

Did u know? The basic thrust of induction training during the first one or few weeks after a person joins service in the organisation is to:

1. introduce the person to the people with whom he works,

2. make him aware of the general company policies that apply to him as also the specific work situation and requirements,

3. answer any questions and clarify any doubts that the person may have about the job and the organisation, and

4. provide on-the-job instructions, check back periodically how the person is doing and offer help, if required.

While the HR staff may provide general orientation relating to the organisation, the immediate supervisor should take the responsibility for specific orientation relating to the job and work-unit members. The follow-up of orientation is to be coordinated by both the HR department and the supervisor with a view mainly to obtain feedback and provide guidance and counselling as required. Proper induction would enable the employee to get off to a good start and to develop his overall effectiveness on the job and enhance his potential.

Induction training is vital for new hires. A well conducted induction ensures new hires are retained, and then settled in speedily and comfortably in a constructive role. Induction training is about the basics that seasoned employees take for granted: shift timings, holiday routine, casual/sick leave policy, location of the cafeteria, dress code, etc. New employees also need to understand the organization's goals, values and philosophy; personnel practices, and of course the job they're required to do. This is also a time to establish clear foundations and expectations in terms of ethics, integrity, corporate social responsibility, and all the other converging theories in this area that are the bedrock of all responsible modern enterprises. Professionally, organized and delivered induction training is your new employees' first proper impression of you and your enterprise; this makes it an ideal occasion to reinforce their decision to come and work for you. Now imagine conducting induction training every time you hire someone; and if current employee turnover rates are anything to go by, then you will be inducting some new hires every week, if not every day! If induction is carried out in the traditional manner then you end up investing considerable time and human capital; draining your resources unnecessarily. BlueApple offers software that automates the entire induction training process; the interface is user-friendly and intuitive, putting the user at ease immediately. With this software in place, induction training can be conducted for individuals or groups on demand and online; eliminating the need for manager's to disrupt their daily routine and conduct induction personally. Conversely, it adds to the comfort of the new employee, by providing information on demand and as often as required.

5.1.1 Induction Process

The Induction Process is:

- Recruitment

- Pre-employment

- First day

- First week

- First month

- End of probation period

- Evaluation

Recruitment (including the Selection Interview)

The nature of the job, its role and key responsibilities should be covered in the job description and explained in the selection interview. You may also consider sharing some or all of the

information listed below to give a real insight into the structure and culture of the organisation, behaviours and standards expected and future plans/intentions:

- organisation, department and/or team structure chart

- organisation, department and/or team vision statement, aim, goals, objectives, etc.

- organisation, department and/or team competency framework/appraisal system

- employment terms and conditions, e.g. hours of work, holidays, sick pay policy, salary, benefits, etc.

Pre-employment

All new employees should receive a formal offer letter together with an employment contract. As well as this information you should also advise new employees to look at the 'new employees' web page for further information. Other forms e.g. bank details etc. should be completed by the new employee prior to starting by printing off and sending into HR. Alternatively, you will need to make sure all new employees have access to these forms on Day One of their employment.

You may also feel it necessary to send joining instructions giving the following information by phone or email:

- where and when to report

- who will meet them

- a map, transport and car parking instructions

- what else to bring, e.g. tools, special clothing, packed lunch, etc.

Preparing the Programme

The content of individual induction programs will vary according to the needs of the individual. New employees may fall into one or more groups, for example:

- school-leavers/skill-seekers

- graduates

- long-term unemployed

- people with disabilities

- experienced individuals changing jobs either within or from outside the organisation

- shift workers

- Internal employees moving department

Each group will have different needs and therefore induction programs should be designed with this in mind. Also consider those people with special needs, i.e. with disabilities, or very young people who will perhaps have limited, if any, experience of working life. Induction programs for certain jobs or roles should also take into account factors such as health and safety rules and regulations.

New employees will have a considerable amount of information to absorb when starting their new role. Try to divide the induction programme into subjects or areas of responsibility enabling the individual to build up their knowledge gradually, preventing confusion or overload.

First Day

New starters will doubtless be nervous and even apprehensive on their first day. It is important that they are made to feel welcome and given time to assimilate to their new environment and colleagues. They should be:

● met and introduced to their team colleagues

● given a tour of the building(s) or workplace, pointing out toilets and restaurant facilities, etc.

● talked through their induction programme and timetable (see link above or on web site)

● satisfied that all necessary paperwork has been completed and received

First Week

With all new employees, explain and discuss the key aspects of their job, the goals and objectives of their immediate team and how they in turn contribute to the objectives of the organisation. This is likely to involve them being introduced to members of other teams and/or departments, and visits to other offices and/or locations.

At the end of the first week, managers should determine how new employees are settling in and:

● review the induction programme and assess the understanding of the information provided at this point

● agree how to clarify or revisit any areas where understanding is confused or inadequate

● explain what is expected in subsequent weeks

● ask for feedback from the employee on how they are feeling and if they feel they have the right amount of support

First Month

By the end of the first month, you should aim to have drafted some personal objectives to give them clear direction and focus. You may also start compiling ideas for a personal development plan. The plan would include areas in which they have shown limited knowledge and/or skill during the induction so far.

You should solicit feedback from the people who have been involved in the induction process and use it to assess the new employee's progress. If you have any concerns regarding their performance or ability, you should address them at the earliest opportunity. Often, new starters simply need greater clarity or reminding of certain key requirements.

Evaluation

It is important to constantly evaluate your processes and procedures to check that they are effective. Ask yourself whether the induction programme met its objectives and whether adjustments are needed. You should also solicit feedback from the new employee on improvements that could be made to improve the induction process and also if there is any further support they need at this stage.

5.1.2 Objectives of Induction Programme

Induction is designed to achieve following objectives:

- To help the new comer to overcome his shyness and overcome his shyness nervousness in meeting new people in a new environment.

- To give new comer necessary information such as location of a cafe, rest period etc.

- To build new employee confidence in the organization.

- It helps in reducing labour turnover and absenteeism.

- It reduces confusion and develops healthy relations in the organization.

- To ensure that the new comer do not form false impression and negative attitude towards the organization.

- To develop among the new comer a sense of belonging and loyalty to the organization.

Did u know? Induction is a necessary part of the selection process. It is essential because the newcomer may feel insecure, shy, nervous and frustrated. Absence of information, lack of knowledge about new environment, behavioural variations complicate the matters further. Induction helps the employees to gain acquaintance with the colleagues.

5.1.3 Nature of Induction Programme

The induction program is the crucial part of onboarding new hire to the organization. The new employee is expensive resource. The organization needs to reach the standard performance levels. It needs to utilize the value added of the new hire. The goal of the induction program is in achieving the standard performance levels quickly by providing basic training, mentoring and regular feedback during the induction period. The induction program adapts the new employee.

The high-performing organizations focus on the quick adaptation of the new employee. They recognize the importance of high performance, and they build processes and procedures to adapt new hires quickly. They teach new employees the basics of the corporate culture, the main decision lines and basic performance expectations.

Caution The induction process does not start on the first day at the new workplace. The induction program should start before the start date. The company should inform the new hire about the details of the job and it should provide basic materials about the company, the company structure and the corporate culture. The new hire should be ready for challenges before the real work begins.

The induction program is not just the "Induction Day". The training for new hires is traditional, and most organizations run them. The Induction Day is critical as new hires receive the basic set of information about the company, the company procedures and basic expectations. The new hires sign all the necessary documents, and they pass training, which are obligatory from a law. The Induction Program is a long-term process. It lasts several months, not several days.

The Induction Program is about the cooperation of the line manager, new hire and Human Resources. HR provides tools for the manager to adapt the new hire in the team quickly. HR is

responsible for the recruitment process. HR is responsible for facilitating managers to adapt new employees quickly.

The induction program is not a second round of the selection procedure. The main goal of the induction is in reaching the standards as soon as possible. Most new hires should absolve the induction successfully. The manager cannot take the induction program as the second round of job interviews.

> *Notes* The induction program sets the basic communication channels in the beginning of employment and makes the adoption of the new comer easier. The new employee has a chance to speak with the dedicated mentor and has a chance to discuss proposed solutions.

The induction program is the efficient tool to increase the performance of new hires. The highly performing organization is less sensible to the natural fluctuation of employees than the organization without the induction of new employees.

5.1.4 Types of Induction

Basically, there are two types of inductions as shown in Figure 5.1.

Figure 5.1: Types of Inductions
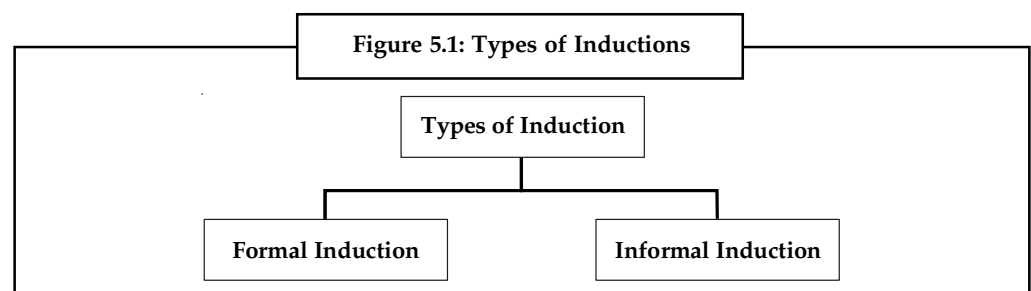
1. *Formal Induction:* Formal induction is a planned attempt to introduce new employees to the organization, job and the working environment. This induction type may consume more time of the superiors to learn and deliver the new employees needs at the beginning. But, this may create new employees less number of errors at the working period and good coordination among all the parties. At this type of program, new employee may get know, who are the most experienced person to have the solution of the particular problem new employee might has. At the very beginning, new employees are having lots of questions as same as kids at small ages. That is full normal thing and common thing, because the new employee needs to get know all the things, he may actually needs or not. CEO, GM, Section/Department Heads, Senior Managers, and Line Managers may involve into the formal induction program. (From top management to bottom line). This will deliver fundamental things that new employees need to know. Advantage of the formal induction program is organization will have the better chance to win the new employees' loyalty at the very beginning. And also, new employee will have the chance to carry his/her works clearly, with less numbers of errors. Also, new employee will fit to the organizational culture and the work group easily, and strongly.

2. *Informal Induction:* Informal induction is not planned and is ad hock. New employees learn through trial and error method. They get familiar with the work and work environment by them selves. This induction type will make the stress on new employee

at the very beginning, because of his/her not knowing things at the operations. So, in that case, new employee may leave the organization at the beginning and then the organization may need to follow all the process of recruiting and new employee to the organization. Also, this method will create a large number of errors making by new employee and then it may creates big losses to the organization. Those are the disadvantages of informal induction program. The advantage of informal induction is, if the new employee survived, then he/she may know the process by his/her experience, and the later on errors may minimize. But, at the beginning, the vice verse thing of above advantage may creates loses, if the new employee unable to survive at the organization.

Caution At the movements which employees couldn't survive, there could be see they are leaving organization at the beginning they have joined to it. So, this will creates high labour turn over too.

5.1.5 Advantages of Induction Programme

The advantages of formal induction are as follows:

1. Induction helps to build up a two-way channel of communication between management and workers.

2. Proper induction facilitates informal relation and team work among employee.

3. Effective induction helps to integrate the new employee into the organization and to develop a sense of belonging.

4. Induction helps to develop good relation.

5. A formal induction programme proves that the company is taking interest in getting him off to good start.

6. Proper induction reduces employee grievances, absenteeism and labour turnover.

7. Induction is helpful in supplying information concerning the organization, the job and employee welfare facilities.

5.1.6 Disadvantages of Induction Programme

Improper induction can cost your organization by resulting in poor employee retention.

1. Every member of the human resources team should play a role in developing new employee orientation. The compensation and benefits specialist presents a section that addresses his role in the department, how employees are compensated, withholding status, health care benefits and retirement savings programs. Likewise, human resources presentations on matters such as workplace safety, recruitment, promotion and selection, and how to report workplace concerns must be included in an orientation program. The disadvantages of presenting such a thorough orientation session are preparation and staff time, which is particularly costly for employers who frequently hire large numbers of employees.

2. When employers hire several new employees within a short period of time, they might want to save time and money by conducting orientation for the entire group instead of one or two new employees at a time. Scheduling challenges can arise from attempting to coordinate the schedules of hire dates and the corresponding orientation dates and times. In addition, if a department is already short-staffed, managers may need new employees

to assume their duties and responsibilities before they have a chance to finish orientation. The disadvantage is that an employee must begin her job duties before learning as much as possible about the company's philosophy and business practices.

3. Orientation sessions should be conducted in a conference room situated away from busy work areas to prevent disruptions during class. Human resources staff can be at a disadvantage while trying to find a suitable area where the new employees can devote their full attention to the presentations and not be distracted by operations in a fast-paced working environment, unless the organization has a classroom or conference that can be specifically dedicated to orientation for several hours or several days.

4. While many employers offer self-service, online orientation to maximize resources, technology use and minimize staff time, the disadvantage to learning about a new employer online is that it depersonalizes the process. New employees want to learn face-to-face, and put faces with names of people and their roles within the company. Online orientation presentations also pose challenges for employees whose computer skills are minimal or nonexistent. This can certainly cause frustration for new hires, which causes the beginning of the employment relationship to be on a shaky foundation.

Example: If an employee feels confused or lost after her induction process, she may or may not ask for help depending on her personality. In this situation, she may either make mistakes until she gets protocol right, or may take coworkers away from their work to train her with each problem versus being trained before beginning work. This creates a disadvantage in terms of employee efficiency, which may translate into poor company productivity.

5. Workplace rules, policies and guidelines change over time, especially for companies in the growth stage of their business. When these changes occur, employers revise the employee handbooks and distribute them to their workforce. Orientation for new employees is great, but an even better system would be to provide refresher training on the company's mission and values as they develop throughout the company's growth. The disadvantage of orientation programs is that they limit the information presented to new employees, and neglect to keep employees informed of organizational changes that may have been discussed during the initial orientation sessions. Preventing this disadvantage requires employers to maintain open communication lines with employees instead of relying on orientation to be the only introduction an employee has to understanding the company's philosophy and vision.

Caselet **Welcoming new Employees to Ramada Jarvis Hotels**

Ramada Jarvis regard effective induction training as the key to delivering consistently high standards of service to guests staying at their hotels located throughout the length and breadth of the UK.

An existing online induction programme required updating to reflect organisational and brand changes. This programme was difficult to administer and the software platform prevented internal content updating, causing unnecessary inconvenience, delay and cost. A new online induction programme that was hosted externally and quick and easy to maintain by Ramada Jarvis employees was required.

Contd...

Ramada Jarvis regard effective induction training as the key to delivering consistently high standards of customer service, the key to attracting and retaining customers in the hospitality sector. Consistency of performance underpins the development of brand value across an estate of 43 hotels that covers the UK. Ramada Jarvis offers a combination of business, leisure and events service each of which requires is own performance standards. The company employs over 3,500 people in a wide range of professions and job roles. High staff turnover is a feature of the hospitality sector with its implications for service quality and consistency.

Ramada Jarvis already used eLearning as a major component of the induction process and this was very successful. Close working relationships were established with the in-house IT function and the HR system supplier to facilitate online delivery and precise monitoring and reporting of employee usage of the induction programme. The training team welcomed the opportunity to maintain the programme's content and the fact that authoring was done via the Microsoft Word interface.

The instructional design strategy employed a range of learning methods to appeal to all learning styles. The programme is highly visual with audio throughout (learners have the option to view a transcript of the audio, useful for those for whom English is not their first language). The chairman John Jarvis welcomes the new employee to the business and paints a motivational picture of life in the hotel industry.

The programme is highly interactive, including tutorial, explorative learning and links to external information. Each module contains a self assessment quiz. The new version was launched via a communication campaign directed primarily at the hotel management teams and central and local HR and training personnel. New employees are introduced to the induction programme on day one and are tasked to complete it within their first week. Support is provided by the local training manager.

Content is authored via a sophisticated Microsoft Word-based interface designed and processed through a content management system where it is automatically formatted to the delivery template. The writer concentrates only on the content whilst the system manages the publishing process. Our approach provides for rapid content development and deployment and has long-term value included through easy updating and repurposing.

The LMS accesses employee data supplied by the HR system to provide a set of reports on training activity. The company's policy of continuous improvement is introduced via the inclusion in the induction programme of an online suggestion scheme feature that allows new employees (whilst they are still fresh and objective) to input ideas.

Source: http://echelonpublishing.co.uk/e26519_Case_study_ramada_jarvis.html

Self Assessment

State whether the following statements are true or false:

1. Induction refers to the introduction of a person to the job and the organisation.

2. The new employee is a cheap resource.

3. The induction process starts on the first day at the new workplace.

4. IT is responsible for the recruitment process.

5. Formal induction is not planned and is ad hock. New employees learn through trial and error method.

5.2 Contents of Induction Programme

The aim of an induction programme is to make sure that new employees are given all the help and guidance they need for them to do their job to the required standard as soon as possible. Human Resources need to prepare the attractive Induction Program for new hires. The Induction Program brings new hires into the organization. The new hires build their relationship with the organization and the attractive content on the induction program helps to build the positive image. The new hires do not build the relationship just on the basis of the job content. The emotions are extremely valuable, as well. The induction program has to provoke the positive emotions.

The induction program should last several months and it should begin before the start date. The new hire does not feel as the member of the organization from the first day. The newcomer needs time to learn the corporate culture, build the network of informal friends and recognize the importance of formal processes.

The ideal structure of the induction program is:

Stage 1: Welcome Pack or Pre-arrival

HR should not forget to send the Welcome Pack for the New Hires. The welcome pack should be sent before the start date. It informs the new employee about the corporate culture, corporate values and necessary documentation. The welcome pack includes the engaging information about the company and its internal processes. The new hires want to know more about the company and the welcome pack should answer their questions. The welcome pack can include the specific website address, which helps to connect new hires. However, before the new member of staff arrives there is an opportunity to commence communication at a more local level and to plan the induction programme so that it runs smoothly throughout.

Example: Information such as organisation charts may be sent out in advance.

Stage 2: Induction Day or First day

The Induction Day is the formal training for the new employees. They receive the same information at once. Many organizations make the Induction Day extremely frustrating. It consists from a number of different presentations, and it does not bring the value added. Each company tries to bring the new and better Induction Day. It is a mission impossible. It is better focus on the rest of the Induction Program. This should essentially be a welcoming day to allay any fears. It is a chance to meet and greet the team. The overall induction programme and timetable should be discussed. Only essential information should be given at this stage so the person does not feel overloaded. Staff should be told about the organisation Welcome Day and this date booked out in their diaries.

Stage 3: Goals for the Induction Period

The goals for the induction period are extremely influential. The new hire does receive the challenges for the initial period of employment. Many new hires are not productive from the beginning. The initial goals help to them to orientate in the organization. The goals push them to find the right contacts.

Stage 4: First Week

Further information should be given. There should be a chance to explain and discuss the key aspects of the job, the goals and objectives of the immediate team and how they in turn contribute to the company objectives. A review should be held at the end of the week to assess understanding and clarify any outstanding matters.

Stage 5: First Month

Personal objectives should have been drafted and a personal development plan covering learning needs should be compiled and relevant courses booked. Feedback from others involved in the induction may be helpful to inform this process. A review of progress should be held.

Stage 6: Meeting Plan

The manager should set up the regular meeting plan of the new hire with the rest of the team and other influential people for the job. The manager has contacts and understands the roles and responsibilities of the new employee. The manager can schedule initial meetings to know each other. The manager should choose the informal mentor for the new employee.

Stage 7: Probation

Depending on the length of probation, regular formal reviews of progress should be built in to ensure things stay focussed and on track so that probation can be successfully completed and the appointment confirmed. A written record should be kept. Any performance issues should be quickly communicated and addressed.

Stage 8: Evaluation

The purpose of the evaluation is to see how the employee is settling in and to raise any issues. Both the new employee's and the manager's perspectives should be discussed. All continuing and fixed term employees are subject to an evaluation period which is used to assess a staff member's suitability for the position. The manager is responsible for monitoring the probation period.

All continuing and fixed term staff employed for more than a fixed period is required to meet with their manager to articulate goals, and review and recognize performance. The staff member is required to complete a Work Plan with their manager and meet again for review and further planning at least annually.

Task You were subject to orientation on the first day of your entry into the college and school. What was your experience? With the knowledge of induction you have now gained, could you suggest to your Principal/Dean a new programme of orientation?

Self Assessment

Fill in the blanks:

6.   Human Resources need to prepare the attractive ………………… Program for new hires.

7. The .... can include the specific website address, which helps to connect new hires.

8. Only essential information should be given at this stage so the person does not feel ....

9. A .... should be held at the end of the week to assess understanding and clarify any outstanding matters.

10. The .... should choose the informal mentor for the new employee.

5.3 Placement: An Overview

Placement is a process of assigning a specific job to each of the selected candidates. It involves assigning a specific rank and responsibility to an individual. It implies matching the requirements of a job with the qualifications of the candidate. Placement refers to assigning rank and responsibility to an individual, identifying him with a particular job. If the person adjusts to the job and continues to perform per expectations, it means that the candidate is properly placed. However, if the candidate is seen to have problems in adjusting himself to the job, the supervisor must find out whether the person is properly placed as per the latter's aptitude and potential. Usually, placement problems arise out of wrong selection or improper placement or both. Therefore, organisations need to constantly review cases of employees below expectations/ potential and employee related problems such as turnover, absenteeism, accidents etc., and assesses how far they are related to inappropriate placement decisions and remedy the situation without delay.

Placement basically refers to the system of assessment and selection by which vacancies are filled by staff serving in an organization. Placement can also be defined as the internal filling of vacancies as distinguished from external recruitment. Placement is a process of assigning a specific job to each of the selected candidates. It involves assigning a specific rank and responsibility to an individual. It implies matching the requirements of a job with the qualifications of the candidate.

Placements are also important for employment agencies, especially executive search firms, a type of employment agency that specializes in recruiting executive personnel for companies in various industries. Executive search agents/professionals usually have a wide range of personal contacts within the area in question, and a detailed specific knowledge of said area, and typically operate at the most senior level. Executive search professionals are also involved throughout more of the hiring process, conducting detailed interviews as well as only presenting candidates to clients where they feel the candidate in question will fit into the employment culture of the client. Compensation methods for recruiters specializing in direct hire placements fall into two broad categories; contingent and retained. Retained recruiters present opportunities and oversee the interview and placement process for their clients. The contingent recruiter can earn as much as 10%-35% of the candidate's first year base salary or total remuneration as a hiring fee.

Placement is highly significant in the HR process because it improves employee morale, helps in reducing employee turnover, reduces absenteeism, and reduces accident rates, as well in avoiding a misfit between the candidate and the job. It helps the candidate to work as per the predetermined objectives of the organization. Usually, the placement process starts after an applicant is selected, the offer is made to him and it is accepted. Once an employee is selected and placed on an appropriate job, the process of familiarizing him with the job and the organization is known as induction.

5.3.1 Significance of Placement

The significances of placement are as follows:

1. It improves employee morale.

2. It helps in reducing employee turnover.

3. It helps in reducing absenteeism.

4. It helps in reducing accident rates.

5. It avoids misfit between the candidate and the job.

6. It helps the candidate to work as per the predetermined objectives of the organization.

5.3.2 Nature of Placement

After the employee is hired and oriented, he/she must be placed in his/her right job. Placement is understood as the allocation of people to the job. It is assignment or re-assignment of an employee to a new or different job. Placement includes initial assignment of new employees and promotion, transfer or demotion of present employees. The placement is arising out of promotion, transfer, demotion. Assignment of new employee to a job apparently seems to be simple task. The employer advertises inviting applications from candidates for a specific post. The advertisement contains job description and job specifications in detail. When a candidate has selected, it is logical that individual is placed in a position that was advertised earlier. But the task of placement is not that simple it appears. Times are changing. Changes in the work ethics reflecting the demand for meaningful work. All these factors are causing organizations and individuals to determine the placement process more closely. We are entering the age when applicants must be considered for several jobs rather than one. From the managerial perspective, the task is to understand and capitalize on each person's individually. Since, human attributes vary along many relatively independent ability, interest, biographical sketch and the personality dimensions, a person's individuality is best viewed as his/her unique profile of scores on a variety of individual measures. Once we establish the unique profile for each individual, people and jobs can be matched optimally within the constraints set by available jobs and available people. If the number of individuals is large in relation to the available jobs, only the best qualified persons can be selected and placed. On the other hand, when more jobs are available, optimal placement is possible. Thus, the number of people and the number of jobs determine the placement process in any organization.

5.3.3 Principles of Placement

A few basic principles should be followed at the time of placement of workers on the job. This is elaborated below:

1. Man should be placed on the job according to the requirements of the job. The job should not be adjusted according to the qualifications or requirements of the man. Job first; man next, should be the principle of the placement.

2. The job should be offered to the person according to his qualification. This should neither the higher nor the lower than the qualification.

3. The employee should be made conversant with the working conditions prevailing in the organization and all things relating to the job. He should also be made aware of the penalties if he commits the wrong.

4. While introducing the job to the new employees, an effort should be made to develop a sense of loyalty and cooperation in him so that he may realize his responsibility better towards the job and the organization.

5. The placement should be ready before the joining date of the newly selected person.

6. The placement in the initial period may be temporary as changes are likely after the completion of training. The employee may be later transferred to the job where he can do better.

Proper placement helps to improve the employees' morale. The capacity of the employees can be utilized fully. The right placement also reduces labour turnover, absenteeism and also the accident rate. The employee can adjust to the required environment of the organization effectively and the performance of the employee will not be hampered.

5.3.4 Problems of the Placement

The difficulty with placement is that we tend to look at the individual but not at the job. Often, the individual does not work independent of others. Whether the employee works independent of others or is dependent depends on the types of jobs. Jobs in this context can be classified into the three categories:

1. *Independent Jobs (in such activities of one worker have little bearing on the activities of the other workers, here the placement is simple to conduct):* In the independent jobs, the non-overlapping territories are allocated to each employee e.g., in the sales. In such situations, the activities of the one employee have little bearing on the activities of the other workers. The independent jobs do not pose great problems in placement. Each employee has to be evaluated between his capabilities and the interests and those required on the job. The objective of the placement will be to fill the job with people who have at least the minimum required qualifications. People should be placed on the job that will make the best possible use of their talents, given available job or HR constraints.

2. *Sequential Jobs (activities of the workers are dependent on activities of fellow worker example assembly line sequential jobs):* The dependent jobs may be sequential or pooled. In sequential jobs, the activities of the one employee are dependent on the activities of the fellow employee e.g., assembly lines are the best example of such job.

3. *Pooled Jobs*: Here, the jobs are high degree of interdependence among activities. The final output of is the result of contribution of all workers. It is team work which matters. Placement for this is quite difficult.

Self Assessment

State whether the following statements are true or false:

11. Placement is a process of assigning a specific job to each of the selected candidates.

12. The contingent recruiter can earn as much as 20%-55% of the candidate's first year base salary or total remuneration as a hiring fee.

13. Placement is understood as the allocation of people to the job.

14. The placement should be ready before the joining date of the newly selected person.

15. In the dependent jobs, the non-overlapping territories are allocated to each employee.

Case Study

From Caterpillar to Butterfly During Induction

Sussex Enterprise improved their induction process with bespoke e-learning from Brightwave to ensure all new employees are introduced to the organisation in the most effective way.

Business support organisation Sussex Enterprise is expanding to help meet the challenge of supporting over a third of Sussex businesses. As a result, it needed a consistent, effective, and flexible way of inducting its growing team.

"We currently have 160 staff and induct on average five to six people every month," says Katie Timmons, HR Manager for Sussex Enterprise. "The type of induction varies a lot depending on the role. Induction was normally left to the line managers who would organise appointments and pass on information, working through a set of guidelines that were provided by HR."

Because the newcomers join the company from a variety of levels and experience, some are school leavers while others come from senior positions within larger companies, their induction requirements vary a great deal.

The traditional induction approach was, therefore, becoming inadequate for two main reasons:

1. *Inconsistency:* Different managers would take a very different approach to induction; some were really good at providing an extensive induction programme while others didn't appreciate its full importance.

2. *Time spent on induction:* Sussex Enterprise is a complex organisation that offers a very wide range of products and services, which were proving difficult to teach in a timely and effective manner.

To streamline the process and help solve the challenges Sussex Enterprise, therefore, decided to add a bespoke e-learning module that could be used as a support tool on an ongoing basis.

Sussex Enterprise was looking for something more flexible. They decided that they had to be able to chisel and tweak the content and needed a solution that was flexible so that they could update the content on an ongoing basis as the business changes. An off-the-shelf solution would not have offered them all of that. A bespoke solution would also be more suitable as it would be tailored to Sussex Enterprise's brand and would, therefore, present the information in a much more effective way.

"We chose to work with Brightwave because we were impressed with their professional approach and had seen examples of their work for other companies which mirrored what we wanted to achieve," says Katie. "Brightwave stood out as having the highest quality graphics and content."

As Sussex Enterprise is a government funded organisation they had a fixed budget from the start so they knew exactly how much they could spend. This helped them when trying to get the best value for their budget. Katie explains: "We didn't want to end up with something that was cheap and lacking professionalism, because we knew that wouldn't be cost effective even with a small budget."

Information Station

Sussex Enterprise commissioned Brightwave to create a one-hour e-learning programme called 'Information Station'. The course is used to familiarise all new employees with the organisation and used as a pre-induction to give joiners an overview of Sussex Enterprise before they start work. The course is also used as an ongoing reference library that staff can dip into to find information.

"We had very good experiences throughout the process," says Katie. She explains: "We were impressed with how creative the Brightwave team was. They gave us several different ideas and approaches of what it could look like and what slant we could take on the content. It was this creative aspect right from the start that we really appreciated with Brightwave. They had a lot of ideas and we received a lot of good support throughout the project."

Brightwave always appoints a dedicated project manager to each new project to ensure that the project is kept on track. A good project manager should enforce deadlines to make sure they don't slip and be realistic about time scales, how long each element will take, etc., to make sure the budget is kept.

Another option that Brightwave offers is the facility for clients to come and work onsite together with the production team. That way it's easier to focus solely on a project, without the distractions you get during a normal work day. Experts will also be close by at hand if you need it.

Everything in one Place

'Information Station' was launched during the annual staff event. A laptop was set up on a table so that staff could play with it and find their way around as an initial introduction. The programme was also referred to during the event presentations.

The course is accessed through the company's HR system, where there is a link to the programme from the individual's home page to make sure everything is fully integrated. This ensures that all information is in one place. It also makes it easy to link to a variety of supporting documents directly from the course.

One of the biggest advantages that Sussex Enterprise has experienced since starting to use the 'Information Station' is that they now have all the basic information in one place, making it easy for employees to find details about products and services. Before it was very difficult for staff to find information, and if they didn't know it existed it was nearly impossible to find what they needed.

The customised e-learning modules also reflects well on the organisation's values, ensuring newcomers that they take induction seriously and want to provide a good start for new staff.

Taking induction seriously is important. According to research from reed.co.uk, 1 in 25 employees have walked out after starting new jobs because of poor induction and nearly all workers believe that a poor induction has a continual effect on their productivity in the job.

"Mixing an online course with more traditional classroom training helps us make the induction process more flexible," says Katie. "The newcomers can decide when they want to complete the online module, cutting down on time wasted on trying to get people together in one room at the same time."

She comments: "It was also very important to us that we can change the content in the course on a regular basis as our business changes often. With an e-learning module this is easy as everything is kept in one place."

Measured Success

After running the new induction programme for six months, Sussex Enterprise decided to evaluate its effectiveness through a simple survey. During that period they had been busy recruiting new staff into various divisions and levels.

75% of the newcomers surveyed during that period found the 'Information Station' useful in helping them to understand the organisation. 75% of them also felt that this induction was very good compared to induction they had gone through in other companies. 'Information Station' was mentioned as the main reason for the last comment.

Katie mentions that they will continue to review and monitor feedback on a regular basis. She feels that the e-learning module has also contributed to an increase in product knowledge, and will be evaluating this as part of a forthcoming customer relationship review.

Current Challenge

At the moment newcomers are primarily taken through their induction by someone within the HR function but the next goal for the organisation is to better enable their line managers to manage the process.

"Producing an e-learning module is one step in the improvement process," says Katie. "We would like individual managers to take more interest in the induction process and our role is to support them. The more pieces in the jigsaw that we can supply them with the easier it will be for them to offer a high quality induction programme themselves. Having a bespoke e-learning module in place has taken us a long way forward towards our goal."

Supporting Business Goals

'Information Station' supports the overall business goals for Sussex Enterprise very well. "Our aim is make Sussex one of the best places to do business and we try and do this by offering support to as many Sussex businesses as possible," says Katie. "By making staff more aware of what we do and what benefits we offer to businesses we increase the chances to cross sell services and products, which directly support our business goals."

Because the programme is still relatively new it needs to be more embedded into the company before it can be evaluated properly. Time will tell if people are using it to its full extent but Katie explains that they have received good feedback so far.

"This was our first company wide e-learning project and it is a solution that really works for us." She concludes: "We would definitely use more bespoke e-learning where the situation is right."

Questions:

1. Study and analyze the case.

2. Write down the case facts.

3. What do you infer from it?

Source: http://www.brightwave.co.uk/case-studies/from-caterpillar-to-butterfly-during-induction

5.4 Summary

- Once the candidates are selected for the required job, they have to be fitted as per the qualifications.

- Placement is said to be the process of fitting the selected person at the right job or place, i.e. fitting square pegs in square holes and round pegs in round holes.

- Once he is fitted into the job, he is given the activities he has to perform and also told about his duties.

- The freshly appointed candidates are then given orientation in order to familiarize and introduce the company to him.

- In short, during Orientation employees are made aware about the mission and vision of the organization, the nature of operation of the organization, policies and programs of the organization.

- The main aim of conducting Orientation is to build up confidence, morale and trust of the employee in the new organization, so that he becomes a productive and an efficient employee of the organization and contributes to the organizational success.

- The nature of Orientation program varies with the organizational size, i.e., smaller the organization the more informal is the Orientation and larger the organization more formalized is the Orientation programme.

- Proper placement of employees will lower the chances of employee's absenteeism. The employees will be more satisfied and contended with their work.

- Proper placement helps to improve the employees' morale.

- Placement is highly significant in the HR process because it improves employee morale, helps in reducing employee turnover, reduces absenteeism, and reduces accident rates, as well in avoiding a misfit between the candidate and the job.

- Placements are also important for employment agencies, especially executive search firms, a type of employment agency that specializes in recruiting executive personnel for companies in various industries.

- Organisations need to constantly review cases of employees below expectations/potential and employee related problems such as turnover, absenteeism, accidents etc., and assesses how far they are related to inappropriate placement decisions and remedy the situation without delay.

5.5 Keywords

Counselling: Counselling is the means by which one person helps another through purposeful conversation.

Formal Induction: Formal induction is a planned attempt to introduce new employees to the organization, job and the working environment.

Guidelines: A guideline is a statement by which to determine a course of action.

Human Resources: Human resources are the set of individuals who make up the workforce of an organization, business sector or an economy.

Induction: Induction is the process of receiving and welcoming an employee when he first joins the company and giving him basic information he needs to settle down quickly and happily and stars work.

Informal Induction: An informal induction to the organisation is a good way of making the volunteer feel comfortable and explaining how the organisation works.

Labour Turnover: A measure of a company's or industry's employment stability expressed as a percent that compares the number of employees that leave an employer, voluntarily or involuntarily, to the number of existing employees during a 12 month period.

Line Manager: A manager who heads a revenue-generating department and is responsible for achieving an organization's main objectives by executing functions such as policy making, target setting, decision making.

Placement: Placement refers to the system of assessment and selection by which vacancies are filled by staff serving in an organization.

Probation: In a workplace setting, probation is a status given to new employees of a company or business.

5.6 Review Questions

1. Define induction process.

2. Highlight the objectives of induction programme.

3. Discuss the nature of induction programme.

4. Distinguish between formal and informal induction.

5. Explain the advantages and disadvantages of induction programme.

6. Highlight the process of induction.

7. What do you understand by placement?

8. How are employees placed on independent, pooled and sequential jobs?

9. Elucidate the contents of induction programme.

10. "If the employees are properly selected, there should be no need for an orientation programme." Give your viewpoint.

Answers: Self Assessment

1.	True	2.	False
3.	False	4.	True
5.	False	6.	Induction
7.	Welcome Pack	8.	Overloaded
9.	Review	10.	Manager
11.	True	12.	False
13.	True	14.	True
15.	False		

Notes

5.7 Further Readings

Books

Aswathappa, K. (2007), "*Human Resource and Personnel Management*, Tata McGraw Hill.

Bhattacharyya, D. K. (2006), *Human Resource Management*, Excel Books.

Mathis, Robert L & Jackson, John H. (2007), *Human Resource Management*, Thomson.

Rao, P. L. (2004), *Comprehensive Human Resource Management*, Excel Books.

Rao, VSP (2005), *Human Resource Management*, Excel Books.

Online links

http://bmmanhum1109.blogspot.in/2008/08/placement-and-induction-in-hrm.html

http://classof1.com/homework_answers/human_resource_management/staffing/placement/

http://practicehrm.blogspot.in/2009/10/types-of-induction.html

http://studyvalue.com/_management_sciences/_hrm/define_placement_23.html

http://www.brookes.ac.uk/services/hr/handbook/recruitment/induction_new_employees/guidelines_induction.html

http://www.chrmglobal.com/Replies/3528/1/Recruitment-Selection-Placement-and-Induction-.html

http://www.managementstudyguide.com/orientation-placement.htm

http://www.simplehrguide.com/induction-program.html

Unit 6: Training and Development

Objectives

After studying this unit, you will be able to:

- Discuss the concept of Training and Development

- Describe the benefits of Training

- Explain the methods of Training

- Discuss the process of Training for Employees

- Explain the Roles and Responsibilities for the Trainers

- Describe the evaluation of Training Effort

Introduction

In the previous unit, we dealt with the meaning, importance, types and contents of induction programme along with the meaning, significance, principles and problems in placement. Training

and development is vital part of the human resource development. It is assuming ever important role in wake of the advancement of technology which has resulted in ever increasing competition, rise in customer's expectation of quality and service and a subsequent need to lower costs. It is also become more important globally in order to prepare workers for new jobs. In the current write up, we will focus more on the emerging need of training and development, its implications upon individuals and the employers. At the end of this unit, you should be able to understand the concept, benefits, methods and process of training and development along with the roles and responsibilities for the trainers and the evaluation of training effort.

6.1 Concept of Training and Development

Training and development play an important role in the effectiveness of organisations and to the experiences of people in work. Training has implications for productivity, health and safety at work and personal development. All organisations employing people need to train and develop their staff. Most organisations are cognizant of this requirement and invest effort and other resources in training and development. Such investment can take the form of employing specialist training and development staff and paying salaries to staff undergoing training and development. Investment in training and development entails obtaining and maintaining space and equipment. It also means that operational personnel, employed in the organisation's main business functions, such as production, maintenance, sales, marketing and management support, must also direct their attention and effort from time to time towards supporting training development and delivery. This means they are required to give less attention to activities that are obviously more productive in terms of the organisation's main business. However, investment in training and development is generally regarded as good management practice to maintain appropriate expertise now and in the future.

Training is the process of planned programs and procedures undertaken for the improvement of employee's performance in terms of his attitude, skills, knowledge and behaviour. These training and development programs can significantly improve the overall performance of organization.

Training is normally viewed as a short process. It is applied to technical staff, lower, middle, senior level management. When applied to lower and middle management staff it is called as training and for senior level it is called managerial development program/executive development program/development program.

Training is often looked upon as an organized activity for increasing the knowledge and skills of people for a definite purpose. It involves systematic procedures for transferring technical know-how to the employees so as to increase their knowledge and skills for doing specific jobs with proficiency. In other words, the trainees acquire technical knowledge, skills and problem solving ability by undergoing the training programme. There are several textbook definitions of training, but the one by Edwin B Flippo is generally well accepted.

According to Flippo, "Training is the act of increasing the knowledge and skills of an employee for doing a particular job". Training involves the development of skills that are usually necessary to perform a specific job. Its purpose is to achieve a change in the behaviour of those trained and to enable them to do their jobs better. Training makes newly appointed employees fully productive in lesser time. Training is equally necessary for the old employees whenever new machines and equipment are introduced and/or there is a change in the techniques of doing the things. Training is a continuous process and does not stop anywhere. The top management should ensure that any training programme should attempt to bring about positive changes in the knowledge, skills, and attitudes of the employees.

There are three elements of training – purpose, place and time. Training without a purpose is useless because nothing would be achieved out of it. The purpose must be identified carefully

and now there are a large number of techniques, to be discussed in subsequent units, available for establishing training needs. After having identified the purpose of a training programme, its place must be decided, i.e. whether it has to be on the job or off the job. Place would decide the choice of training method and also influence its effectiveness. The next element is the time. Training must be provided at the right time. A late training would provide outdated knowledge, which would be useless for the employees. The timing has also to be specified in physical terms, i.e. which month/week of the year and at what time of the day. This can have a lot of ramifications in terms of the cost of training and its ultimate efficacy in achieving the desired results.

The purpose of training is to bring about improvement in the performance of the human resources. This includes the learning of such techniques as are required for the intelligence performance of definite tasks. It also comprehends the ability to think clearly about problems arising out of the job and its responsibilities and to exercise sound judgement in making decisions affecting the work. Lastly, it includes those mental attitudes and habits, which are covered under the general term 'morale'.

Did u know? LG Electronics has made mandatory for its staff to do two modules a month and each module has a test that has to be cleared. Every three months a summary of all the tests is made and prizes are doled out to encourage people to learn.

6.1.1 Meaning of Development

Management development is all those activities and programme when recognized and controlled have substantial influence in changing the capacity of the individual to perform his assignment better and in going so all likely to increase his potential for future assignments. Thus, management development is a combination of various training programme, though some kind of training is necessary, it is the overall development of the competency of managerial personal in the light of the present requirement as well as the future requirement. Development an activity designed to improve the performance of existing managers and to provide for a planned growth of managers to meet future organizational requirements is management development.

Management development is based on following on assumptions:

1. Management development is a continuous process. It is not one shot programme but continues though out the career of a manager.

2. Management development is any kind of learning, is based on the assumption that there, always existing a gape between an individual's performance and his potential for the performance.

3. Management development seldom takes place in completely peaceful and relaxed atmosphere.

4. Management development requires clear setting of goals.

5. Management development required conducive environment.

Lots of time training is confused with development, both is different in certain respects yet components of the same system. Development implies opportunities created to help employees grow. It is more of long term or futuristic in nature as opposed to training, which focus on the current job. It also is not limited to the job avenues in the current organisation but may focus on other development aspects also.

At Goodyear, for example, employees are expected to mandatorily attend training program on presentation skills, however, they are also free to choose a course on 'perspectives in leadership

through literature'. Whereas the presentation skills program helps them on job, the literature based program may or may not help them directly.

Similarly, many organisations choose certain employees preferentially for programs to develop them for future positions. This is done on the basis of existing attitude, skills and abilities, knowledge and performance of the employee. Most of the leadership programs tend to be of this nature with a vision of creating and nurturing leaders for tomorrow.

The major difference between training and development, therefore, is that while training focuses often on the current employee needs or competency gaps, development concerns itself with preparing people for future assignments and responsibilities.

With technology creating more deskilled workers and with industrial workers being replaced by knowledge workers, training and development is at the forefront of HRD. The onus is now on the human development department to take a proactive leadership role in responding to training and business needs.

6.1.2 Objectives of Training

The purpose of training and development can be explained as follows:

1. *Improving quality of workforce:* Training and development programs can help in improving the quality of work produced by the workforce of organization. Mostly, training is given in a specific area like finance, marketing or HR, which helps in improving the quality of work in that particular area.

2. *Enhance employee growth:* By attending these training and development programs, employees are able master the work of their jobs and that's how they develop and grow themselves in a professional way.

3. *Prevents obsolescence:* These programs help employees to keep themselves up to date with the new trends in latest technology, which reduces the chances of termination of the job.

4. *Assisting new comer:* These programs help new employees to adjust themselves in a new working environment, culture and technology. They feel themselves as regular employees of that organization.

Table 6.1: Training vs Development

Training	Development
1. Training means learning skills and knowledge for doing a particular job and increases skills required for a job.	1. Development refers to the growth of an employee in all respects. It is more concerned with shaping the attitudes.
2. Training generally imparts specific skills to the employees.	2. Development is more general in nature and aims at overall growth of the executives.
3. Training is concerned with maintaining and improving current job performance. Thus, it has a short-term perspective.	3. Development builds up competences for future performance and has a long-term perspective
4. Training is job centered in nature.	4. Development is career-centered in nature.
5. The role of trainer or supervisor is very important in training.	5. All development is 'self-development' and the executive has to be internally motivated for the same.

Source: http://www.ddegjust.ac.in/studymaterial/mba/obh-412.pdf

5. *Bridging the gap between planning and implementation:* It helps organizations to easily achieve their targets and goals what they actually planned for. Employees know their job better and they deliver the quality performance according to needs of top management. That's why, organizations can easily implement their plans.

6. *Health and safety measures:* Training and development program clearly identifies and teaches employees about the different risk involved in their job, the different problems that can arise and how to prevent such problems. This helps to improve the health and safety measures in the company.

Training is also different from education in the following respects:

● Training it is concerned with increasing knowledge and skills in doing a particular job. The major burden of training falls upon the employer. But education is broader in scope. Its purpose is not confined to developing the individuals, but it is concerned with increasing general knowledge and understanding of total environment.

● Education generally refers to the formal learning in a school or a college, whereas training is vocation oriented and is generally imparted at the work place.

● Training usually has mere immediate utilitarian purpose than education.

At times, both training and education occur at the same time. Some schools run formal vocational courses, which can be job-oriented whereas some employee development programs in industry have quite a wide scope and may be viewed education.

Caselet   ## Training and Development at Godrej

In January 2002, Godrej Industries Ltd. (GIL) bought a 26% stake in "Personalitree Academy Ltd." Personalitree provided interactive soft skills training programs online to corporates. Personalitree's training modules have since been a part of Godrej's training and development initiatives.

It all started in 1996 with the break-up of the joint venture between Godrej Soaps Ltd. (GSL) and Proctor and Gamble (P&G). Post break-up, GSL was bereft of a distribution system and had to start from scratch. As part of the rebuilding exercise, GSL recruited about 250 new employees who had to be aligned with its corporate culture. In 1997, GSL conducted a Total Quality Management (TQM) workshop for all its 5000 employees to help them connect to their job.

Parivartan was launched in September 2000 in GSL to train new as well as existing employees on various aspects of the business and to motivate them. In 2001, new initiatives like Young Entrepreneurs Board (YEB), Red and Blue Teams, Mentoring and Reverse Mentoring were introduced in the Godrej Group, (Godrej) to encourage the involvement of youth in strategic decision-making. In early 2002, a need was felt among the top brass of Godrej to instil a performance- driven culture in the company. In addition to upgrading the talents of existing employees, Godrej had to train new recruits.

Thus, Godrej developed a comprehensive and innovative training programme for management trainees and named it Godrej Accelerated Learning Leadership and Orientation Programme (GALLOP). The objective of GALLOP was to develop a newcomer into a professional by giving him or her exposure to various departments and inculcate in him or her, a sense of belonging. Later, in September 2002, GIL introduced Spark, a training

programme for managers to help them become effective coaches. Towards the end of 2002, E-gyan was introduced in GIL to increase the learning potential of employees. In January 2003, a special HR programme on honing the interpersonal and negotiation skills of officer-level employees was launched in GIL. Further, in October 2003, an English language training programme was held for floor workers of Godrej and Boyce Manufacturing Company Ltd. (GBML), so that they could follow all instructions issued in that language independently.

The Godrej story started in 1897, when Ardeshir Burjorji Godrej (Ardeshir) gave up his legal practice and started manufacturing locks in a small shed at Lalbaug near Mumbai. Thus was GBML born. His brother, Phirozshah Godrej (Phirozshah), carried on the pioneering work and in 1905 GBML built its first safe, thus entering the security equipment business. GBML expanded its range of products by manufacturing office equipment, typewriters, tool-room equipment, etc. In the early 1920s, GBML started making soaps from vegetable oils and incorporated GSL in 1928.

In 1958, GBML started manufacturing refrigerators, its first home appliance product. GSL ventured into animal feed in 1971 to help dairy and poultry farmers rear healthier livestock. Godrej Pacific commenced operations in 1982 as the Electronic Business Equipment (EBE) Division of GBML.

In 1985, GBML ventured into Computer Aided Designing services as part of its EBE division. In 1990, Godrej Properties & Investments Limited (GPIL) was incorporated to provide meticulously planned townships. In 1991, the Godrej group entered the processed food and edible oil segment by incorporating Godrej Foods Ltd. (GFL).

The animal feed division was spun off into a distinctly focused animal-feed and agricultural input company in 1991-92 and was named Godrej Agrovet Limited (GAVL). In 1993, GBML entered into a joint venture with General Electric (GE), US and Godrej-GE Appliances was formed. It went on to manufacture washing machines and air conditioners. GE exited from the joint venture in 2001 and the appliances business became a division of GBML. In 1993, Godrej entered into a manufacturing and marketing alliance with Proctor & Gamble (P&G). A new company P&G-Godrej Ltd., with each company holding 50%, was incorporated. The entire distribution network of Godrej was transferred to this company and the joint venture was entrusted with the task of marketing both Godrej and P&G's toilet soap and detergents brands. The EBE division was spun off into Geometric Software Solutions Ltd. in 1994 to offer complete solutions to customers.

In 1994, Godrej ventured into the insecticide market through GSL, which bought 75% stake in Transelektra Domestic Products Pvt Ltd. (TDPL), the manufacturer of the "Good Knight" brand. In 1995, Godrej entered into a joint venture with the US multinational, Sara Lee and the new concern was called Godrej-Sara Lee. The venture was the world's largest manufacturer of mosquito repellents. In August 1996, P&G-Godrej Ltd., terminated the arrangement and Godrej re-took charge of marketing its soap & detergent brands but without a distribution network of its own. In 1999, GSL sold 22.5 per cent of its shareholding in Godrej-Sara Lee to the group holding company GBML for ₹ 994.7 million. Godrej Infotech Ltd. was incorporated in 1999 to offer software solutions. In March 2001, GSL got de-merged and its consumer products division came to be known as Godrej Consumer Products Ltd. (GCPL). One criticism against the training and development programs at Godrej was that there were no measurement techniques to judge the effectiveness of the programs.

*Source:*http://www.icmrindia.org/casestudies/catalogue/Human%20Resource%20and%20 Organization%20Behaviour/Training%20and%20Development-Godrej-Human%20Resource-Case%20Studies.htm

Self Assessment

State whether the following statements are true or false:

1. Training is normally viewed as a long process.

2. There are two elements of training.

3. Training is a source of motivation for the employees as well.

6.2 Benefits of Training

The following discussion highlights some of the potential benefits of training to the employees and the employers.

6.2.1 Benefits of Training to Employers

The employers invest in training because they reap several benefits out of the exercise, which can be summed up as under:

(i) *Faster learning of new skills:* Training helps the employers to reduce the learning time of their employees and achieve higher standards of performance. The employees need not waste time in learning by observing others. If a formal training programme exists in the organization, the qualified instructors will help the new employees to acquire the skills and knowledge to do particular jobs quickly.

(ii) *Increased productivity:* Training increases the skill of the new employee in while performing a particular job. An increased skill level usually helps in increasing both quantity and quality of output. Training can be of great help even to the existing employees. It helps them to increase their level of performance on their present job assignments and prepares them for future assignments.

(iii) *Standardization of procedures:* Training can help the standardization of operating procedures, which can be learnt by the employees. Standardization of work procedures makes high levels of performance rule rather than exception. Employees work intelligently and make fewer mistakes when they possess the required know-how and skills.

(iv) *Lesser need for supervision:* As a generalization, it can be stated safely that trained employees need lesser supervision. Training does not eliminate the need for supervision, but it reduces the need for detailed and constant supervision. A well-trained employee can be self-reliant in his/her work because s/he knows what to do and how to do. Under such situations, close supervision might not be required.

(v) *Economy of operations:* Trained personnel will be able to make better and economical use of the materials and the equipment and reduce wastage. Also, the trained employees reduce the rate of accidents and damage to machinery and equipment. Such reductions can contribute to increased cost savings and overall economy of operations.

(vi) *Higher morale:* The morale of employees is increased if they are given proper training. A good training programme moulds employees' attitudes towards organizational activities and generates better cooperation and greater loyalty. With the help of training, dissatisfactions, complaints, absenteeism and turnover can also be reduced among the employees. Thus, training helps in building an efficient and co-operative work force.

(vii) *Managerial development:* The top management can identify the talent, who can be groomed for handling positions of responsibility in the organizations. Newer talent increases the productivity of the organizations.

⚠️

Caution By providing opportunity for self-development, employees put in their best effort to contribute to the growth of the organization.

6.2.2 Benefits of Training to Employees

The employees are the ultimate link in an any organization, who carry out the operations. Training can help them in several ways, as mentioned below:

(i)   *Increasing confidence:* Training creates a feeling of confidence in the minds of employees, who feel comfortable while handling newer challenges. It gives a feeling of safety and security to them at the work place.

(ii) *New skills:* Training develops skills, which serves as a valuable personal asset of a worker. It remains permanently with the worker himself.

(iii) *Career advancement:* The managers can develop their skills to take up higher challenges and work in newer job dimensions. Such an exercise leads to the career development of the employees, who can move up the corporate hierarchy faster.

(iv) *Higher earnings:* Higher earnings are a consequence of career development. A highly trained employee can command high salary in the job market and feel more contended.

(v)   *Resilience to change:* In the fast changing times of today, training develops adaptability among workers. The employees feel motivated to work under newer circumstances and they do not feel threatened or resist any change. Such adaptability is essential for survival and growth of an organization in the present times.

(vi) *Increased Safety:* Trained workers handle the machines safely. They also know the use of various safely devices in the factory, thus, they are less prone to accidents.

It can be concluded that in light of several benefits, training is an important activity, which should be taken very seriously by the employees as well as the employers.

Task Training programme are frequently the first items eliminated when management wants to cut costs. Why is it so?

Self Assessment

Fill in the blanks:

4.   .... of work procedures makes high levels of performance rule rather than exception.

5.   The morale of employees is .... if they are given proper training.

6.   Training creates a feeling of confidence in the minds of employees, who feel comfortable while handling newer ....
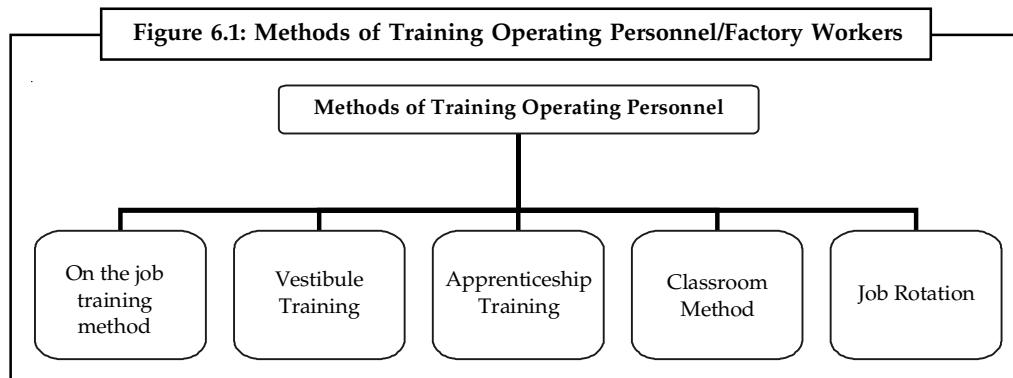
6.3 Methods of Training

Training can be define as a process of planned programs and procedures undertaken for the improvement of employee's overall performance like his attitude, behaviour, skills and knowledge etc. This can be useful for organizations to achieve their targets efficiently.

6.3.1 Methods of Training Operating Personnel/Factory Workers – HRM

There are different methods of training for operating personnel (factory workers). Training these workers becomes important because they handle equipment worth crores of rupees. The different methods can be explained with the help of Figure 6.1:

Figure 6.1: Methods of Training Operating Personnel/Factory Workers

The methods of Training Operating Personnel/Factory Workers which are discussed below:

1. *On-the-Job Training Method:* In this method, workers who have to be trained are taken to the factory, divided into groups and one superior is allotted to every group. This superior or supervisor first demonstrates how the equipment must be handled, and then the worker is asked to repeat whatever he has observed in the presence of the supervisor. This method makes it easy for the employee to learn the details about specific equipment. Once the worker studies the first equipment thoroughly the supervisor moves on to the next equipment and so on.

2. *Vestibule Training:* In this method of training, an atmosphere which is very similar to the real job atmosphere is created. The surroundings, equipment, noise level will be similar to the real situation. When an employee is trained under such conditions he gets an idea about what the real job situation will be like. Similarly, when he actually starts doing the job he will not feel out of place. This method is used to train pilots and astronauts.

⚠️

Caution In some places graphics are also used to create the artificial surroundings. This method involves heavy investment.

3. *Apprenticeship Training:* In this method, both theory and practical session are conducted. The employee is paid a stipend until he completes training. The theory sessions give theoretical information about the plant layout, the different machines, their parts and safety measures, etc. The practical sessions give practical training in handling the equipment. The apprentice may or may not be continued on the job after training.

4. *Classroom Method:* In this method, the training is given in the classroom. Video, clippings, slides, charts, diagrams and artificial modules, etc. are used to give training.

5. *Job Rotation:* In this method, the person is transferred from one equipment to the other for a fixed amount of time until he is comfortable with all the equipments. At the end of the training, the employee becomes comfortable with all the equipment. He is then assigned a specific task.

6.3.2 Methods of Training for Managers

Various methods are used to train personnel for managerial level jobs in the company. The methods of training managers are as follows:

1. ***On-the-Job Training Methods in HRM:*** On the job method refers to training given to personnel inside the company. There are different methods of on the job training:

    (a) *Job rotation:* This method enables the company to train managerial personnel in departmental work. They are taught everything about the department. Starting from the lowest level job in the department to the highest level job. This helps when the person takes over as a manager and is required to check whether his juniors are doing the job properly or not. Every minute detail is studied.

    (b) *Planned progression:* In this method, juniors are assigned a certain job of their senior in addition to their own job. The method allows the employee to slowly learn the job of his senior so that when he is promoted to his senior job it becomes very easy for him to adjust to the new situation. It also provides a chance to learn higher level jobs.

    (c) *Coaching and counseling:* Coaching refers to actually teaching a job to a junior. The senior person who is the coach actually teaches his junior regarding how the work must be handled and how decisions must be taken, the different techniques that can be used on the job, how to handle pressure. There is active participation from the senior. Counseling refers to advising the junior employee as and when he faces problems. The counselor superior plays an advisory role and does not actively teach employees.

    (d) *Under study:* In this method of training, a junior is deputed to work under a senior. He takes orders from the senior, observes the senior, attends meetings with him, learns about decision making and handling of day to day problems. The method is used when the senior is on the verge of retirement and the job will be taken over by the junior.

    (e) *Junior board:* In this method, a group of junior level managers are identified and they work together in a group called junior board. They function just like the board of directors.

2. ***Off-the-Job Training Methods:*** Off the job training refers to method of training given outside the company. The different methods adopted in off the job training are the following:

    (a) *Classroom method:* The classroom method is used when a group of managers have to be trained in theoretical aspects. The training involves using lectures, audio visuals, case study, role play method, group discussions, etc. The method is interactive and provides very good results.

    (b) *Simulation:* Simulation involves creating atmosphere which is very similar to the original work environment. The method helps to train manager handling stress, taking immediate decisions, handling pressure on the jobs, etc. An actual feel of the real job environment is given here.

    (c) *Business games:* This method involves providing a market situation to the trainee manager and asking him to provide solutions. If there are many people to be trained they can be divided into groups and each group becomes a separate team and play against each other.

(d) *Committee:* A committee refers to a group of people who are officially appointed to look into a problem and provide solution. Trainee managers are put in the committee to identify how they study a problem and what they learn from it.

(e) *Readings:* This method involves encouraging the trainee manager to increase his reading related to his subject and then ask him to make a presentation on what he has learned. Information can be collected by trainee manager from books, magazines and internet, etc.

Self Assessment

State whether the following statements are true or false:

7. In vestibule training method, both theory and practical session are conducted.

8. On the job method refers to training given to personnel inside the company.

9. The simulation method is used when a group of managers have to be trained in theoretical aspects.

6.4 Training Process

Every company has a specific training procedure, depending upon its requirements. Some of the typical steps in designing a training programme are shown in Figure 6.2:

Figure 6.2: Design of a Training Programme

Source: http://www.ddegjust.ac.in/studymaterial/mba/obh-412.pdf
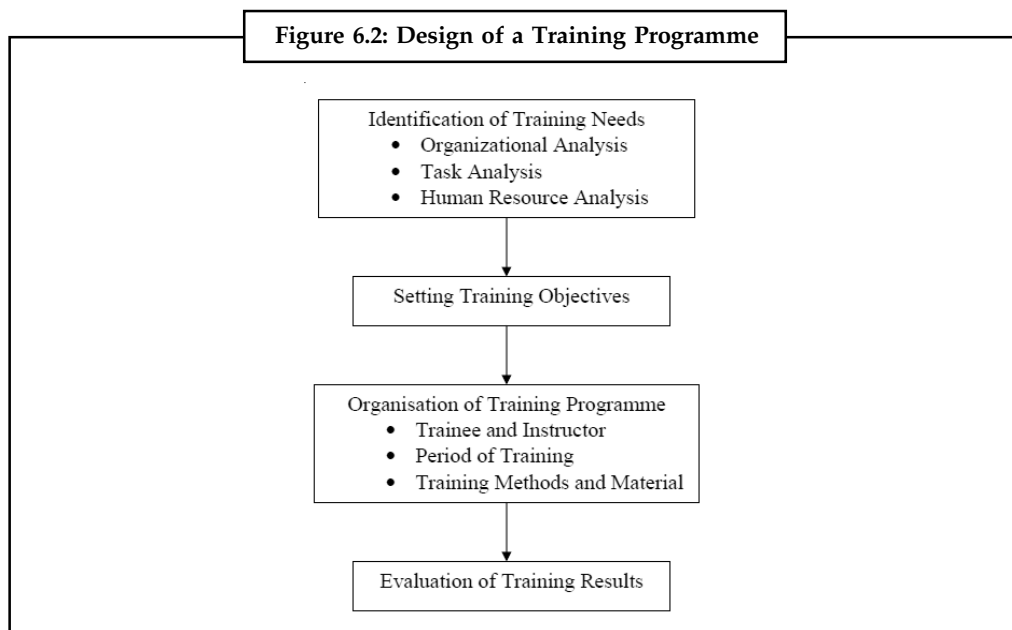
The steps are explained below:

Step 1: Identification of Training Needs

The present time is the age of change. In all the spheres of organizational activity, there is a very rapid change. Technology has become the most important harbinger of the change process. In order to remain competitive, people have to learn newer skills and keep themselves updated.

This calls for a constant training. The process of change has influenced even the process of training itself. Earlier, the people were acquiring training through apprenticeship and vocational courses, which are not sufficient in the modern era of industrialization. It is necessary to identify the training needs because of the following reasons:

(a) Adoption of new techniques in an organization and introduction of modern working methods.

Example: Computerization of the office as has been done in banks, railways, etc. The staff needs to be trained to handle the newer gadgets.

(b) Although it is often said that workforce is cheap in India, but they do not measure upto the global standards in terms of productivity. Poor performance by the workers as reflected by low output, lack of initiative, incompetence, and bad decisions. This requires their systematic training.

(c) Wide gaps exist between what workers should be doing and what they are doing.

(d) Analysis of the strengths and weaknesses of an organization may pinpoint the areas of weaknesses, which need to be handled seriously.

Training needs can be identified from an organization's human resource plan. While preparing plans, the current skills with expected needs for future should be kept in mind and the deficiencies be highlighted. Some organizations prepare 'skills-inventories' classifying employees according to their qualifications, technical knowledge, experience and various skills. The gaps between the existing and required levels of knowledge, skills, performance and attitudes should be specified. The problem areas that can be resolved through training should also be identified.

Training needs can be identified through the following types of analysis:

(i) Organizational analysis

   ❖ Analysis of objectives

   ❖ Resource utilization analysis

   ❖ Climate analysis

(ii) Task analysis

(iii) Manpower or Human Resource Analysis

(i) *Organizational analysis:* Organizational analysis is basically a systematic study of an organization's objectives, resources, resource allocation and utilization, growth potential and its environment. Its purpose is to determine where training emphasis should be placed in the organization for increasing organizational effectiveness. Organizational analysis involves the following elements:

   (a) *Analysis of Objectives:* The long-term and short-term objectives and their relative priorities should be properly analyzed. Specific goals for various departments should be stated which will serve as means for achieving the overall organizational objectives. The management would have to examine what are the specific training inputs that would contribute towards the achievements of these objectives.

   (b) *Resource Utilization Analysis:* The allocation of human and physical resources and their efficient utilization in meeting the operational targets should be analyzed. In order to examine the need for training, it should be found out whether adequate numbers of personnel are available to ensure the fulfillment of the goals or not. Also, it is important to know whether the personnel performance is upto the required standards.

(c) *Climate Analysis:* An organization's climate reflects the attitudes of its members with regards to trust, loyalty, openness, commitment to organizational goals. Analysis of an organization's climate determines whether the environment, when analyzed in different departments is conducive to the fulfillment of their goals. This will help in knowing areas where training is needed to improve the climate of the organization.

(ii) *Task analysis:* It is a systematic analysis of jobs to identify job contents, knowledge, skills and aptitudes required to perform the job. Particular attention should be paid to the tasks to be performed, the methods to be used, the way employees learn these methods and the performance standards required of employees. Questionnaires, interviews, personnel records, observation and other methods can be used to collect information about jobs in the organization.
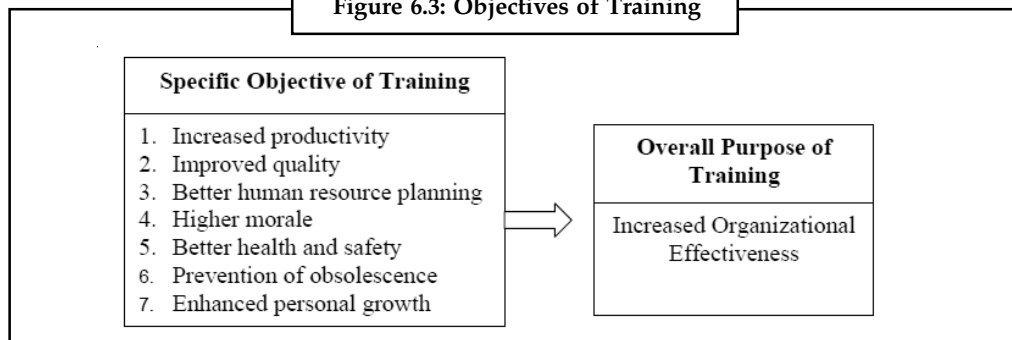
Notes In task analysis, the main focus is on the job or task. Task analysis requires the study of various types of skills and training required to perform to the job effectively.

(iii) *Manpower or Human Resource Analysis:* The quality of manpower required by the organisation has to be carefully analysed. It has to be done in the light of both internal and external environment of the organisation. The economic, social, technological and political environment of the organisation should be properly scanned to determine the quality of human resources desired. To achieve these quality standards, specific training needs should be determined on the following lines:

(a) specific areas where individuals need training,

(b) the capability of present workforce to learn new skills and behaviours,

(c) the time frame within which training must be imparted, and

(d) job designing and redesigning, introduction of new work methods and technology.

Step 2: Training Objectives

Once the training needs are identified, the next step is to define specifically training objectives and to decide upon the methods to be adopted to achieve these objectives. The overall aim of any training programme is to increase organizational effectiveness. However, each training programme must also have specific objectives such as increased productivity, improved quality, better human resource planning, better health and safety, prevention of obsolescence and enhanced personal growth.

Figure 6.3: Objectives of Training

Specific Objective of Training

1. Increased productivity
2. Improved quality
3. Better human resource planning
4. Higher morale
5. Better health and safety
6. Prevention of obsolescence
7. Enhanced personal growth

Overall Purpose of Training

Increased Organizational Effectiveness

Source: http://www.ddegjust.ac.in/studymaterial/mba/obh-412.pdf

These objectives contribute to organizational effectiveness. The relationship between specific objectives and overall purpose of training is shown in Figure 6.3.

Step 3: Organizational Set-Up for Training

Training has to be imparted by the people and in order to enable them work effectively; organization must have a structure that makes them work effectively and efficiently. However, the issue of establishing a training center within a company has to be addressed from the very first question that whether is it really feasible to have a separate training center at all or not?

Advantages of having in-house training center: In case, a company decides to have its own training center, then it can reap several advantages, as mentioned below:

(i)   Training programme shall be under the direct control of the executives.

(ii) The likeliness of a training programme to adhere to the objectives increases if it is being organized within the organization.

(iii) If training is a regular exercise, as it is the case of software, pharmaceuticals and other companies, then it is feasible to have a separate training center. In such companies, training of staff continues throughout the year. So, the overhead expenses are reduced.

Caution Even permanent staff can be hired for management and imparting the training.

(iv) An in-house training center ensures the privacy of training. In the competitive times of today, privacy is an important issue because the competitors can copy the organization's efforts and offset its competitive advantage.

(v)   Constant review of training effectiveness is easy if it is being imparted within the organization.

However, there are arguments favouring outsourcing of training as well. Now-a-days the facilities required for training, such as hotels, conference rooms, training facilities, etc. are available very economically. The external talent can also be hired at an economical cost. The trainees also tend to pay more attention to what is being said by the external expert. Moreover, external talent means more ideas and fresh talent.

Did u know? The emerging scenario is that the companies where training is a regular phenomenon may have a training center, while other might outsource the same. Even those outsourcing the same may have a permanent staff to coordinate and manage the training, while the external experts might be hired for imparting training.

Usually, the considerations while deciding having an in-house training center or not are:

●   The support of the top management towards training.

●   The amount of investment, which an organization wants to make.

●   Volume of the training programme.

●   Continuity of the training programme.

●   Flexibility of a training programme.

●   Privacy desired in a training programme.

From the operational angle, the following activities have to be undertaken to conduct a training programme.

(a) *Selection of the Trainees:* The proper selection of trainees is very important factor that determines permanent and gainful results. A trainee must be provided the training which he really needs. Sometimes, the employees perceive training as a paid vacation. This might lead to wastage of the entire effort. The trainee might receive the training in a subject, which he is not very likely to use. Again, the effort would be of no use. Sometimes, training is also seen as a sign of incompetence. The employees might resist the same. So, proper screening of the candidates for training improves the effectiveness of the training a programme.

While giving training to an employee, the first step is to attempt to place him at ease. It is generally seen that many people are somewhat nervous when approaching an unfamiliar task. The instructor should not forget the newness of the training programme to the trainee though he has repeated experience of this. In addition to minimize any possible apprehension, the trainer should emphasize the importance of job, its relationship to the workflow and the importance of rapid and effective learning. Thus, the trainee must be given the proper background information before he starts learning the new skills and knowledge.

(b) *Training the Trainer:* The trainer is a key figure of any training programme. Before he is entrusted upon with the task of undertaking the training, he must be judged whether s/he him/herself is competent enough to do the same or not. The firms might engage a qualified instructor from inside or outside the organization. However, many insiders are not good instructors because they might not possess the ability to teach the skill. Trainer needs many qualities besides theoretical competence. He must be able to divide the job into logical parts so that he may take up one part at a time without losing his perspective of the whole. He must be tolerant and patient. He must be able to appreciate the value of training job in relation to the enterprise and an understanding of what the employees would go through in order to acquire the skills and knowledge as envisaged by the programme.

The trainer has to have professional expertise to fulfill his responsibility. Therefore, it is desirable that the trainer must have knowledge about the job for which he is going to instruct the trainees. He must be able to suggest solutions to the practical problems faced by the trainees.

The trainer should explain and demonstrate the operations step by step and should allow the trainees to repeat these operations. He should also encourage questions from the trainees in order to be sure that the trainees understand the job.

(c) *Training Period:* The duration of a training programme depends upon the skill to be acquired, the trainee's learning capacity and the training methodology used.

Example: A simple orientation programme for clerks may require an hour a day over a period of one week, while a course in computer programming may be require two hours a week for 10 weeks. The use of training aids usually helps to reduce the training time. To maintain interest and secure maximum accomplishment, no single session should last longer than two hours.

Another issue is whether the training should be given during working hours or after the working hours. If the training is given during working hours, the productivity may suffer and the organization will have to pay for this time. But if the training is arranged after the working hours, the employees may not be able to make full use of training programs

because they might be tired already. For effective training, the training manager should reconcile these situations.

(d) *Training Methods and Material:* There are several on-the-job and off-the-job methods of training, which have been discussed in above section. As was mentioned in that unit, the choice of any training method depends upon the specific objectives of the training programme and several other factors.

To increase the effectiveness of training, some written material is usually desirable as a basis for instruction, review and reference. The training section may prepare the training material with the help of line supervisors to be used for different jobs. A complete outline of the whole course should be made with the main topics included under each heading. The training material should be distributed among the trainees well in advance so that they may come prepared in the lecture class and may be able to understand the subject quickly and may remove their doubts by asking questions from the instructor.

Example: If sales training was to be given to the representatives, the sales manager might be asked to plan the same. In such a situation, he shall design the training programme and identify the faculty who shall provide the training. He might even identify the trainees who need to be trained. The training manager, who shall be under the HRD manager, shall organize the training according to the plan suggested by the sales manager. He might arrange for the hotel, training facilities and other necessary paraphernalia required for the training. In such a situation, the training activity is conducted in the form of a matrix organization, where the training manager merely becomes a facilitator of a training programme.

Step 4: Evaluation of Training

Management of training would not be complete without proper evaluation of training. Training is a very costly and time-consuming process. It is essential to determine its effectiveness in terms of achievement of specific training objectives. Individuals like to know how much they learnt or how well they are doing. The sooner employees know the results of a quiz or test, the sooner they can assess their progress. The sooner employees receive positive feedback from the trainer, the less time they will waste.

Self-graded tests and programmed learning kits provide the necessary feedback to a person on his progress on a particular subject. This principle does not necessarily mean frequent testing, but the more immediate the feedback on learning the more motivating it is likely to be.

Evaluation of training would provide useful information about the effectiveness of training as well as about the design of future training programs. It will enable an organization to monitor the training programme and also to modify its future programs of training. The evaluation of training also provides useful data on the basis of which relevance of training and its integration with other functions of human resource management can be examined.

Task Suppose you are going to design a training programme for newly hired sales managers. Results from needs assessment indicate that they will need training on company policies and procedures, handling customer complaints and motivating sales personnel. What training methods would you choose? Explain your choices.

Self Assessment

Fill in the blanks:

10. .... has become the most important harbinger of the change process.

11. Training .... can be identified from an organization's human resource plan.

12. .... analysis requires the study of various types of skills and training required to perform to the job effectively.

6.5 Roles and Responsibilities for the Trainers

A trainer has many roles to play in order to make any training effective. Unlike in education, where the guru acted as a friend, philosopher and a guide, the relationship between a trainee and a trainer is more professional. Still, a trainer has to wear many hats. There are many classifications of a trainer's role, which can be stated as follows shown in Figure 6.4:

1. Trainer

2. Provider

3. Consultant

4. Innovator

5. Manager

Figure 6.4: General Trainer Roles

Source: http://www.ddegjust.ac.in/studymaterial/mba/obh-412.pdf
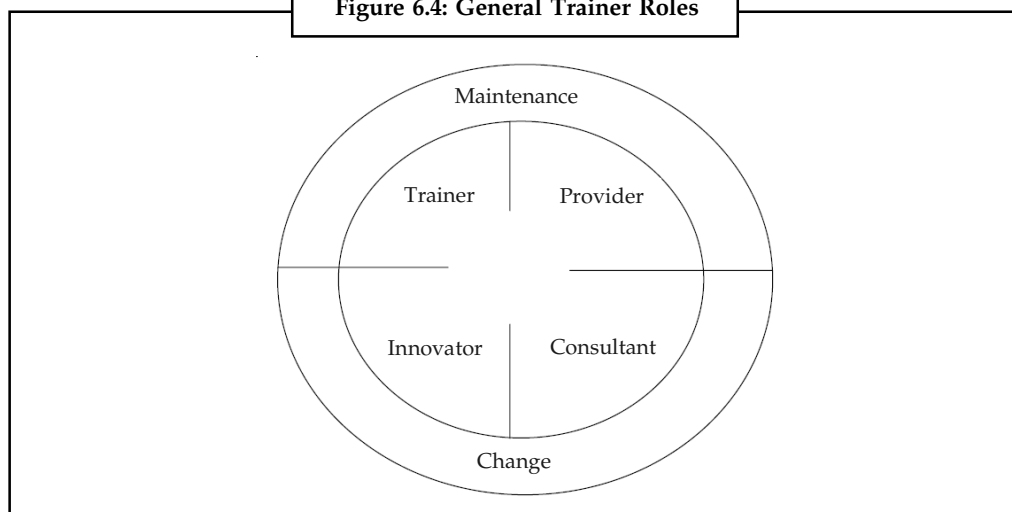
General trainer roles are as follows:

1. *Trainer:* A trainer's role is primarily concerned with actual direct training. It is a role that involves the trainer in helping people to learn, providing feedback about their learning and adopting course designs to meet trainees' needs. The trainer's role may involve classroom teaching and instruction, laboratory work, small group work, supervision of individual project work and all those activities that directly influence immediate learning experiences. In effect, the trainer is a learning specialist.

2. *Provider:* This training role relates to the design, maintenance and delivery of training programs. It involves training-needs analysis; setting objectives; designing courses; choosing appropriate methods; testing out and evaluating courses or training activities; and helping trainers to deliver the training.

3. *Consultant:* As a consultant, a trainer is primarily concerned with analyzing business problems and assessing/recommending solutions, some of which may require training. It may involve some elements of the provider role but specifically concentrates on liaising with line managers; identifying their performance problems; advising on possible training solutions (where appropriate); working with providers and/or trainers to establish training programs; advising training managers (where the roles are separated) on training goals: and policies; and ensuring evaluation takes place and the results are used. As an innovator, a trainer is concerned with helping the organizations to manage the change effectively and to solve performance problems. It involves:

   ❖ Working with managers at senior/middle levels.

   ❖ Providing support and help to managers in coping with change.

   ❖ Identifying where seminars and workshops can be a useful means of educating managers for change.

   ❖ Facilitating change; identifying the real sources of power in the organization and linking with these to help bring about change.

   ❖ Advising the training function on how it can best help in the change process.

   In Organization Development terms, such a role might be called 'change agent', 'catalyst', or 'interventionist'. The role frequently overlaps with that of the consultant.

4. *Manager:* A manager's role in training is primarily concerned with planning, organizing, controlling and developing the training and development activity or function. It involves the following functions:

   ❖ Setting training goals, policies and plans.

   ❖ Liaising with other departments and with senior managers about the contribution training can and should make to improving performance.

   ❖ Ensuring that appropriate training activities are designed, developed, delivered and evaluated.

   ❖ Acquiring and developing training staff; establishing effective lines of authority and communication within the training function. Acquiring and effectively using non-staff resources.

   ❖ Monitoring quality standards and controlling activities against a total training plan.

Some provider roles may contain elements of the manager role in small organizations or in situations where providers have several training programs to deliver.

Self Assessment

State whether the following statements are true or false:

13. A trainer has many roles to play in order to make any training effective.

14. A manager's role in training is primarily concerned with planning, organizing, controlling and developing the training and development activity or function.

15. As a provider, a trainer is concerned with helping the organizations to manage the change effectively and to solve performance problems.

6.6 Evaluation of Training Effort

Evaluation involves the assessment of the effectiveness of the training programs. This assessment is done by collecting data on whether the participants were satisfied with the deliverables of the training program, whether they learned something from the training and are able to apply those skills at their workplace. There are different tools for assessment of a training program depending upon the kind of training conducted.

Since, organisations spend a large amount of money, it is, therefore, important for them to understand the usefulness of the same. For example, if a certain technical training was conducted, the organisation would be interested in knowing whether the new skills are being put to use at the workplace or in other words whether the effectiveness of the worker is enhanced. Similarly, in case of behavioural training, the same would be evaluated on whether there is change in the behaviour, attitude and learning ability of the participants.

Evaluation, in its crudest form, is the comparison of objectives (criterion behaviour) with effects (terminal behaviour) to answer the question of how far the training and development programs has achieved its purpose. The setting of objectives and the establishment of methods of measuring results are, or should be, an essential part of the planning stage of any training and development programme. Evaluation can be difficult because it is often hard to set measurable objectives and even harder to collect the information on the results or to decide on the level at which the evaluation should be made.

While there is a growing body of conceptual work on how employees really learn, and a burgeoning body of case studies of innovative corporate initiatives, there has been little synthesis of these bodies of literature.

Not surprisingly, the yield from training and development initiatives will be maximised when employees perceive that desirable outcomes (or avoidance of undesirable outcomes) are attained as a result of their full commitment to a training and development program.

With today's emphasis on measuring human resource management's impact, it is crucial that the manager evaluate the training program. There are basically three things you can measure: participants reactions to the program; what (if anything) the trainees learned form the programs; and to what extent their on the job behaviour changed as a result of the program. In a survey of about 500 Indian organizations, 77% evaluated their training programs by eliciting reactions, 36% evaluated learning, and about 10% to 15% assessed the program's behaviour and/or results.

There are actually two basic issues to address when evaluating training programs. The first is the design of the evaluation study and, in particular, whether to use controlled experimentation. The second issue is: What should we measure?

Designing the Study

In evaluating the training program the first question should be how to design the evaluations study. The time series design is one option. Here, you take a series of measures before and after the training program. This can provide at least an initial reading on the program's effectiveness.

Controlled Experimentation

Formal methods for testing the effectiveness of training program, preferably with before and after tests and a control group, this approach is feasible but, in terms of current practice few

firms use it. Most simply measure trainees' reactions to the program; some also measure the trainees' job performance before and after training. The human resources manager should at least use an evaluation form to evaluate training program.

Training Effects to Measure

You can measure four basic categories of training outcome:

1. *Reaction:* Evaluate trainees' reactions to the programs. Did they like the program? Did they think it is worth while?

2. *Learning:* Test the trainees to determine whether they learned the principles, skills, and facts they were supposed to learn.

3. *Behaviour:* Ask whether the trainees on the job behaviour changed because of the training program. For example, are employees in the store's complaint department more courteous toward disgruntled customers?

4. *Results Probably most important to ask:* What final results were achieved in terms of the training objectives previously set? For example, did the number of customer complaints about employees drop? Did the percentage of calls answered with the required greeting rise? Reactions, learning, and behaviour are important. But if the training program doesn't produce measurable results, then it probably hasn't achieved its goals. But remember that the results may be poor because the problem could not be solved by training in the first place.

Evaluating any of these four is fairly straight forward. Similarly, you might assess trainees learning by testing their new knowledge. The employer can asses the trainees' behavioural change directly or indirectly. Indirectly you might assess the effectiveness of, say, a supervisory performance appraisal training program by asking that person's subordinates questions like, Did your supervisor take the time to provide you with examples of good and bad performance when he or she appraised your performance most recently? Or, you can directly assess a training program's results, for instance, by measuring, say, the percentage of phone calls answered correctly.

Reactions measures aren't good substitutes for measuring learning or results. Unfortunately only about 10% to 35% of trainees are transferring what they learned to their jobs in during training. Managers can improve this. Prior to training, get trainee and supervisor input in designing the program, institute a training attendance policy and encourage employees to participate. During training, trainees with training experience and conditions, surroundings, equipment that resemble the actual work environment. After training reinforce what trainees leaned, for instance, by appraising and rewarding employees for using new skills and by ensuring they have the tools and materials they need to use their new skills.

Thus, evaluation of training and development programs is normally used in a broad sense to mean any attempt to obtain information (feedback) on the effects of a training programme, and to assess the value of the training in the light of that information. According to some experts on the evaluation of training, a distinction is made between validation (the assessment of whether the training has achieved its laid-down objectives) and evaluation (the measurement of the total effects of the training programme). In practice, however, this distinction is not always meaningful, since it may be almost impossible to obtain information on the total effects of training (which may be extremely complex).

Effectiveness of training programs are constantly evaluated by the company to find if the money, they have invested has been spending properly or not. Training programs can be evaluated by asking following questions.

1. Has change occurred after training?

2. Is the change due to training?

3. Is the change positive or negative?

4. Will the change continue with every training program?

A training program should give following resulting changes:

1. *Reaction:* Reaction refers to attitude of employee about the training, whether the employee considers training to be positive or negative one. If reaction is positive then people have accepted the program and changes will be possible.

2. *Learning:* Another method of judging effectiveness is to identify levels of learning, i.e. how much the people have learnt during the training. This can be found out by trainers mark sheet, the report submitted by the employee, and actual performance.

3. *Behaviour:* The HR department needs to understand behaviour of the employees, to understand the effectiveness of training. The behavioural change can be seen in how the person interacts with juniors, peer groups and seniors. They mark change in behaviour and inform the HR department of the success of training program.

4. *Result:* Results provided by employee in monetary terms also determines effectiveness of training program, i.e. employee success in handling the project, the group performance before and after training, etc.

6.6.1 Benefits of Training Evaluation

Evaluation acts as a check to ensure that the training is able to fill the competency gaps within the organisation in a cost effective way. This is especially very important in wake of the fact the organisations are trying to cut costs and increase globally. Some of the benefits of the training evaluation are as under:

- *Evaluation ensures accountability:* Training evaluation ensures that training programs comply with the competency gaps and that the deliverables are not compromised upon.

- *Check the Cost:* Evaluation ensures that the training programs are effective in improving the work quality, employee behaviour, attitude and development of new skills within the employee within a certain budget. Since, globally companies are trying to cut their costs without compromising upon the quality, evaluation just aims at achieving the same with training.

- *Feedback to the Trainer/Training:* Evaluation also acts as a feedback to the trainer or the facilitator and the entire training process. Since, evaluation accesses individuals at the level of their work, it gets easier to understand the loopholes of the training and the changes required in the training methodology.

Not many organisations believe in the process of evaluation or at least do not have an evaluation system in place. Many organisations conduct training programs year after year only as a matter of faith and not many have a firm evaluation mechanism in place.

Example: Organisations like IBM, Motorola only, it was found out, have a firm evaluation mechanism in place.

6.6.2 The Way Forward

There are many methods and tools available for evaluating the effectiveness of training programs. Their usability depends on the kind of training program that is under evaluation. Generally most of the organisations use the Kirkpatrick model for training evaluations which evaluates training at four levels – reactions, learning, behaviour and results.

After it was found out that training costs organisations a lot of money and no evaluation measures the return on investment for training, the fifth level for training evaluation was added to the training evaluation model by Kirk Patrick which is called as the ROI.

Most of the evaluations contain themselves to the reaction data, only few collected the learning data, still lesser measured and analysed the change in behaviour and very few took it to the level of increase in business results. The evaluation tools including the Kirk Patrick model will be discussed in next sub section.

6.6.3 Kirkpatrick's Model of Training Evaluation

Organizations spend a huge amount of money for training their employees at various levels and on various competencies, behavioural and technical. Every year new tools are designed to try and cater to individual learning styles and make the training more effective. After all an organization is concerned about its spending and the return on the same!

Donald Kirkpatrick, professor emeritus, university of Wisconsin began working on evaluating the effectiveness of training very early in his life. His early work on the same was published in the year 1959 in a journal of American Society of Training Directors. He laid out four levels for evaluation of any training. This model is arguably the most widespread for evaluation in use. It is simple, very flexible and complete. The four levels as described by Kirkpatrick are as follows:

1. Reaction of the Trainee – thoughts and feelings of the participants about the training

2. Learning – the increase in knowledge or understanding as a result of the training

3. Behaviour – extent of change in behaviour, attitude or capability

4. Results – the effect on the bottom line of the company as a result of the training.

The fifth level which is the ROI has been recently added which is not but a part of the original model. The beauty of the model is that each level can only be predicted when the lower level prediction is complete. Thus, evaluation at the level of behaviour may not be useful unless evaluation at the knowledge has been completed.

Reaction

Reaction implies how favourably the participants have responded to the training. This evaluation is primarily quantitative in nature and is a feedback to the training and the trainer. The most common collection tool is the questionnaire that analyses the content, methodology, facilities and the course content.

Learning

At the level of learning, the evaluation is done on the basis of change in the ASK (Attitudes, Skills and Knowledge) of the trainees. The evaluation involves observation and analysis of the voice, behaviour, text. Other tools used apart from the observation are interviews, surveys, pre and post tests etc.

Behaviour

Behaviour evaluation analyses the transfer of learning from the training session to the work place. Here, the primary tool for evaluation is predominantly the observation. Apart from the observation, a combination of questionnaires and 360 feedbacks are also used.

Results

The results stage makes evaluations towards the bottom line of the organization. Here, the definition of the results depends upon the goal of the training program. The evaluation is done by using a control group allowing certain time for the results to be achieved.

There are many other models that are unique in their own ways, nut as mentioned earlier Kirkpatrick's Model is the one that is accepted and used widely across all industries and with wider applications.

Self Assessment

Fill in the blanks:

16. In evaluating the training program the first question should be how to …………………… the evaluations study.

17. The …………………… manager should at least use an evaluation form to evaluate training program.

18. …………………… measures are good substitutes for measuring learning or results.

Case Study ## Nestle "Training and Development"

Nestle is the today's world leading food company. Nestle's principal assets are not office buildings, factories, or even brands. Rather, it is the fact that they are a global organization comprised of many nationalities, religions, and ethnic backgrounds all working together in one single unifying corporate culture. Nestlé culture unifies people on all continents. The most important parts of Nestlé's business strategy and culture are the development of human capacity in each country where they operate. Learning is an integral part of Nestlé's culture. This is firmly stated in The Nestlé Human Resources Policy, a totally new policy that encompasses the guidelines that constitute a sound basis for efficient and effective human resource management. People development is the driving force of the policy, which includes clear principles on non-discrimination, the right of collective bargaining as well as the strict prohibition of any form of harassment. The policy deals with recruitment, remuneration and training and development and emphasizes individual responsibility, strong leadership and a commitment to life-long learning as required characteristics for Nestlé managers.

Training Programs at Nestlé

The willingness to learn is therefore an essential condition to be employed by Nestlé. First and foremost, training is done on-the-job. Guiding and coaching is part of the responsibility of each manager and is crucial to make each one progress in his/her position. Formal training programs are generally purpose-oriented and designed to improve

Contd...

---

relevant skills and competencies. Therefore they are proposed in the framework of individual development programs and not as a reward.

Literacy Training

Most of Nestlé's people development programs assume a good basic education on the part of employees. However, in a number of countries, we have decided to offer employees the opportunity to upgrade their essential literacy skills. A number of Nestlé companies have therefore set up special programs for those who, for one reason or another, missed a large part of their elementary schooling.

These programs are especially important as they introduce increasingly sophisticated production techniques into each country where they operate. As the level of technology in Nestlé factories has steadily risen, the need for training has increased at all levels. Much of this is on-the-job training to develop the specific skills to operate more advanced equipment. But it's not only new technical abilities that are required. It's sometimes new working practices. For example, more flexibility and more independence among work teams are sometimes needed if equipment is to operate at maximum efficiency. "Sometimes we have debates in class and we are afraid to stand up. But our facilitators tell us to stand up because one day we might be in the parliament!" (Maria Modiba, Production line worker, Babelegi factory, Nestlé South Africa).

Nestlé Apprenticeship Program

Apprenticeship programs have been an essential part of Nestlé training where the young trainees spent three days a week at work and two at school. Positive results observed but some of these soon ran into a problem. At the end of training, many students were hired away by other companies which provided no training of their own. "My two elder brothers worked here before me. Like them, for me the Nestlé Apprenticeship Program in Nigeria will not be the end of my training but it will provide me with the right base for further advancement. We should have more apprentices here as we are trained so well!" (John Edobor Eghoghon, Apprentice Mechanic, Agbara Factory, Nestlé Nigeria) "It's not only a matter of learning bakery; we also learn about microbiology, finance, budgeting, costs, sales, how to treat the customer, and so on. That is the reason I think that this is really something that is going to give meaning to my life. It will be very useful for everything." (Jair Andrés Santa, Apprentice Baker, La Rosa Factory Dosquebradas, Nestlé Columbia).

Local Training

Two-thirds of all Nestlé employees work in factories, most of which organize continuous training to meet their specific needs. In addition, a number of Nestlé operating companies run their own residential training centers. The result is that local training is the largest component of Nestlé's people development activities worldwide and a substantial majority of the company's 240000 employees receive training every year. Ensuring appropriate and continuous training is an official part of every manager's responsibilities and, in many cases; the manager is personally involved in the teaching. For this reason, part of the training structure in every company is focused on developing managers' own coaching skills. Additional courses are held outside the factory when required, generally in connection with the operation of new technology.

The variety of programs is very extensive. They start with continuation training for ex-apprentices who have the potential to become supervisors or section leaders, and continue through several levels of technical, electrical and maintenance engineering as well as IT management. The degree to which factories develop "home-grown" specialists varies considerably, reflecting the availability of trained people on the job market in each

Contd...

country. On-the-job training is also a key element of career development in commercial and administrative positions. Here too, most courses are delivered in-house by Nestlé trainers but, as the level rises, collaboration with external institutes increases. "As part of the Young Managers' Training Program I was sent to a different part of the country and began by selling small portions of our Maggi bouillon cubes to the street stalls, the 'sari stores, in my country. Even though most of my main key accounts are now supermarkets, this early exposure were an invaluable learning experience and will help me all my life." (Diane Jennifer Zabala, Key Account Specialist, Sales, Nestle Philippines)." Through its education and training program, Nestlé manifests its belief that people are the most important asset. In my case, I was fortunate to participate in Nestlé's Young Managers Program at the start of my Nestlé career, in 1967. This foundation has sustained me all these years up to my present position of CEO of one of the top 12 Nestlé companies in the world." (Juan Santos, CEO, Nestlé Philippines)

Virtually every national Nestlé company organizes management-training courses for new employees with High school or university qualifications. But their approaches vary considerably. In Japan, for example, they consist of a series of short courses typically lasting three days each. Subjects include human assessment skills, leadership and strategy as well as courses for new supervisors and new key staff. In Mexico, Nestlé set up a national training center in 1965. In addition to those following regular training programs, some 100 people follow programs for young managers there every year. These are based on a series of modules that allows tailored courses to be offered to each participant. Nestlé Pakistan runs 12-month programs for management trainees in sales and marketing, finance and human resources, as well as in milk collection and agricultural services. These involve periods of fieldwork, not only to develop a broad range of skills but also to introduce new employees to company organization and systems. The scope of local training is expanding. The growing familiarity with information technology has enabled "distance learning" to become a valuable resource, and many Nestlé companies have appointed corporate training assistants in this area. It has the great advantage of allowing students to select courses that meet their individual needs and do the work at their own pace, at convenient times. In Singapore, to quote just one example, staff is given financial help to take evening courses in job-related subjects. Fees and expenses are reimbursed for successfully following courses leading to a trade certificate, a high school diploma, university entrance qualifications, and a bachelor's degree.

International Training

Nestlé's success in growing local companies in each country has been highly influenced by the functioning of its international Training Centre, located near our company's corporate headquarters in Switzerland. For over 30 years, the Rive-Reine International Training Centre has brought together managers from around the world to learn from senior Nestlé managers and from each other. Country managers decide who attends which course, although there is central screening for qualifications, and classes are carefully composed to include people with a range of geographic and functional backgrounds. Typically a class contains 15–20 nationalities. The Centre delivers some 70 courses, attended by about 1700 managers each year from over 80 countries. All course leaders are Nestlé managers with many years of experience in a range of countries. Only 25% of the teaching is done by outside professionals, as the primary faculty is the Nestlé senior management. The programs can be broadly divided into two groups:

Management courses: These account for about 66% of all courses at Rive-Reine. The participants have typically been with the company for four to five years. The intention is to develop a real appreciation of Nestlé values and business approaches. These courses focus on internal activities.

Contd...

Executive courses: These classes often contain people who have attended a management course five to ten years earlier. The focus is on developing the ability to represent Nestlé externally and to work with outsiders. It emphasizes industry analysis, often asking: "What would you do if you were a competitor?"

Conclusion

Nestlé's overarching principle is that each employee should have the opportunity to develop to the maximum of his or her potential. Nestlé do this because they believe it pays off in the long run in their business results, and that sustainable long-term relationships with highly competent people and with the communities where they operate enhance their ability to make consistent profits. It is important to give people the opportunities for life-long learning as at Nestle that all employees are called upon to upgrade their skills in a fast-changing world. By offering opportunities to develop, they not only enrich themselves as a company, they also make themselves individually more autonomous, confident, and, in turn, more employable and open to new positions within the company. Enhancing this virtuous circle is the ultimate goal of their training efforts at many different levels through the thousands of training programs they run each year.

Questions:

1.   Study and analyze the case.

2.   Write down the case facts.

3.   What do you infer from it?

Source: http://www.mbaknol.com/management-case-studies/case-study-of-nestle-training-and-development/

6.7 Summary

- Training is a learning process that involves the acquisition of knowledge, sharpening of skills, concepts, rules, or changing of attitudes and behaviours to enhance the performance of employees.

- Training is an important managerial function and involves all the steps that are the characteristic of other managerial functions.

- The typical steps in designing a training programme are the identification of training needs, setting training objectives, organizational set-up for training, training operations and evaluation of training.

- Training needs can be identified through the organisational, task and human resource analysis.

- Training has to be imparted by the people and in order to enable them work effectively; organization must have a structure that makes them work effectively and efficiently.

- The Training Operations include the activities such as selection of the trainees, training the trainer, specifying the training period, training methods and Material.

- Some of the criteria to measure training effectiveness of training are the trainees' reactions, their extent of learning, improvement in job behaviour, and the results at the job.

- Trainer and provider roles are more concerned with maintenance activities, while those of consultant and innovator are (often) involved with change and problem solving.

- Training is about knowing where you stand (no matter how good or bad the current situation looks) at present, and where you will be after some point of time.

- Training is about the acquisition of knowledge, skills, and abilities (KSA) through professional development.

6.8 Keywords

Apprenticeship Training: Apprenticeship training is a form of post-secondary education that combines paid, work-based training, with technical training in a classroom or shop setting.

Business Games: This method involves providing a market situation to the trainee manager and asking him to provide solutions.

Coaching: Coaching refers to actually teaching a job to a junior.

Committee: A committee refers to a group of people who are officially appointed to look into a problem and provide solution.

Counselling: Counselling refers to advising the junior employee as and when he faces problems.

Development: Development refers to the growth of an individual in all respects where an organization works for the development of its executives or potential executives in order to enable them to be more effective in performing the various functions of management.

Education: Education is formal learning and is concerned with increasing general knowledge and understanding of total environment.

Off-the-job Training: Off-the-job training is the acquisition of work-related skills at a location outside than the workplace, like a college or university, workshop, or training facility.

On-the-job Training: Employee training at the place of work while he or she is doing the actual job. Usually a professional trainer (or sometimes an experienced employee) serves as the course instructor using hands-on training often supported by formal classroom training.

Organisational Analysis: Organizational analysis is basically a systematic study of an organization's objectives, resources, resource allocation and utilization, growth potential and its environment.

Resource Utilization Analysis: The allocation of human and physical resources and their efficient utilization in meeting the operational targets.

Simulation: Simulation involves creating atmosphere which is very similar to the original work environment.

Task Analysis: It is a systematic analysis of jobs to identify job contents, knowledge, skills and aptitudes required to perform the job.

Training: Training is the act of increasing the knowledge and skills of an employee for doing a particular job.

Under Study: An understudy is a person who learns the part of a leading performer in a theater production.

Vestibule Training: A method of job education where educational facilities approximate real working conditions and are equipped with actual production machinery.

6.9 Review Questions

1. Define training. Why is it important for the individuals as well as the organizations?

2. "In the rapidly changing world, training is an important strategic tool for knowledge based industries." Comment.

3. Differentiate between training and development and training and education.

4. Discuss various roles of a trainer in the present.

5. Discuss the steps required for an effective training.

6. What are various steps to identify the training needs in an organization?

7. Discuss the essentials of a good training programme.

8. Explain the rationale behind training.

9. Describe the benefits of training to employers.

10. Discuss the methods of training for Managers.

11. Which training method do you recommend for each of the following occupations? Why?

    (a) A clerk in an office

    (b) A welder

    (c) An assembly line worker

    (d) An in experienced supervisor

12. Explain the Kirkpatrick's model of training evaluation.

Answers: Self Assessment

1.	False	2.	False
3.	True	4.	Standardization
5.	Increased	6.	Challenges
7.	False	8.	True
9.	False	10.	Technology
11.	Needs	12.	Task
13.	True	14.	True
15.	False	16.	Design
17.	Human Resources	18.	Reactions

6.10 Further Readings

Books   Aswathappa, K. (2007), "*Human Resource and Personnel Management*, Tata McGraw Hill.

Bhattacharyya, D. K. (2006), *Human Resource Management*, Excel Books.

Mathis, Robert L & Jackson, John H. (2007), *Human Resource Management,* Thomson.

Rao, P. L. (2004), *Comprehensive Human Resource Management*, Excel Books.

Rao, VSP (2005), *Human Resource Management,* Excel Books.

Notes

Online links
http://about.usps.com/manuals/elm/elmc7.pdf

http://facta.junis.ni.ac.rs/eao/eao200702/eao200702-13.pdf

http://studyvalue.com/_management_sciences/_hrm/define_training_24.html

http://traininganddevelopment.naukrihub.com/training.html

http://www.ddegjust.ac.in/studymaterial/mba/obh-412.pdf

http://www.managementstudyguide.com/training-and-development.htm

Unit 7: Appraising and Evaluating Performance

CONTENTS

Objectives

Introduction

Objectives

After studying this unit, you will be able to:

- Discuss the concept of Performance Appraisal

- Describe the methods/techniques of Performance Appraisal

- Explain the Performance Appraisal Process

- Discuss the Employee Evaluation and Performance Appraisals

Introduction

In the previous unit, we dealt with the concept, benefits, methods and process of training and development along with the roles and responsibilities for the trainers and the evaluation of training effort. A performance review is a crucial process of the employment and human resources-defined practices of an organization. It is a formal discussion as well as a documented process involving managers, HR and even top management about an employee's development and performance. Performance reviews executed diligently can reflect an organization's overall health, employee management practices and overall productivity. At the end of this unit, you should be able to understand concept, methods, process and evaluation of performance appraisal.

7.1 Concept of Performance Appraisal

Performance appraisal is defined by Wayne Cascio as, "the systematic description of employee's job relevant, strength, weakness. Performance appraisal may be conducted once in every 6 months or once in a year. The basic idea of the appraisal is to evaluate the performance of the employee, giving him a feed back. Identify areas where improvement is required so that training can be provided. Give incentives and bonus to encourage employees, etc.

Performance appraisal is the systematic evaluation of the performance of employees and to understand the abilities of a person for further growth and development. Performance appraisal is generally done in systematic ways which are as follows:

1. The supervisors measure the pay of employees and compare it with targets and plans.

2. The supervisor analyses the factors behind work performances of employees.

3. The employers are in position to guide the employees for a better performance.

In a performance appraisal, the employee's merits such as initiative, regularity, loyalty, personality, etc., are compared with others. Then each employee is rated or ranked. That is, he is given a particular rank such as First Rank, Second Rank, etc. So if an employee has the best attendance then he is given First Rank in attendance and so on.

A performance appraisal needs to be a series of constructive, developmental discussions, between line managers and their reports. They should focus on helping people to realize their potential. To be effective, appraisals need to be a series of conversations that culminate in the performance appraisal review. It's much more effective (and easier) to appraise performance by regular meetings to discuss progress and provide support, rather than to wait for a single, annual appraisal meeting. An appraisal should not be a top-down process, where one side asks questions and the other responds.

An effective appraisal meeting should consist of an open dialogue, more of a two-way conversation. Performance appraisal needs to be a joint effort – it's as much about self-appraisal as it is about the manager's view. Appraisals are a shared assessment of performance, where performance is appraised jointly and goals are agreed together. The individual's goals need to be aligned with those of the team or organization. Performance appraisals should be based on trust and mutual respect. An appraisal works best when manager and employee know each other and there is mutual respect between the two. Such conditions need to be built over time with the manager taking the lead.

Appraisals are a key part of the performance management cycle. Appraisals are an important part of performance management, but an appraisal in itself is not performance management. Performance management is a broader process of which an appraisal is only one stage.

Example: In the performance management cycle, the review and planning elements typically form an appraisal. However, the development and performance stages are part of the broader performance management process. To manage performance requires more than just a performance appraisal.

An employer and employee have to work toward common goals in order to ensure success and even long-term survival of an organization. Performance reviews of employees indicate the commitment of business owners and top management toward their work force. It is a meticulous and professional periodic assessment of an individual worker or professional's overall performance, organizational commitment, his future potential for growth and the resultant pay raise, rewards and promotions.

Notes The HR department or division of an organization plays a critical role in the performance review of an employee or staff member. HR professionals devise and develop the systematized templates, appraisal and other metrics-based documents and forms to evaluate employees on select parameters. Managers, supervisors and HR top management fill out the necessary forms, generate reports and have a formal discussion. Salary raise, rewards, perks; incentives of employees are then decided by HR management based on the recommendations, reports and reviews of respective bosses and managers.

7.1.1 Importance of Performance Appraisal

The main advantages or importance of performance appraisal are:

1. *Performance Feedback:* Most employees are very interested in knowing how well they are doing at present and how they can do better in a future. They want this information to improve their performance in order to get promotions and merit pay. Proper performance feedback can improve the employee's future performance. It also gives him satisfaction and motivation.

2. *Employee Training and Development Decisions:* Performance appraisal information is used to find out whether an employee requires additional training and development. Deficiencies in performance may be due to inadequate knowledge or skills.

Example: A professor may improve his efficiency by attending workshops or seminars about his subject. Performance appraisal helps a manager to find out whether he needs additional training for improving his current job performance. Similarly, if the performance appraisal results show that he can perform well in a higher position, then he is given training for the higher level position.

3. *Validation of Selection Process:* Performance appraisal is a means of validating both internal (promotions and transfers) and external (hiring new employees from outside) sources. Organisations spend a lot of time and money for recruiting and selecting employees. Various tools used in the selection process are application blanks, interviews, psychological tests, etc. These tools are used to predict (guess) the candidate's performance on the job.

Notes A proper performance appraisal finds out the validity of the various selection tools and so the company can follow suitable steps for selecting employees in future.

4. *Promotions:* Performance appraisal is a way of finding out which employee should be given a promotion. Past appraisals, together with other background data, will enable management to select proper persons for promotion.

5. *Transfers:* Performance appraisal is also useful for taking transfer decisions. Transfers often involve changes in job responsibilities, and it is important to find out the employees who can take these responsibilities. Such identification of employees who can be transferred is possible through the performance appraisal.

6. *Layoff Decisions:* Performance appraisal is a good way of taking layoff decisions. Employees may be asked to lay off, if the need arises. The weakest performers are the first to be laid off. If there is no performance appraisal, then there are chances that the best men in the department may be laid off.

7. *Compensation Decisions:* Performance appraisal can be used to compensate the employees by increasing their pay and other incentives. This is truer in the case of managerial jobs and also in the case of employees in non-unionized organisations. The better performances are rewarded with merit pay.

8. *Human Resource Planning (HRP):* The appraisal process helps in human resource planning. Accurate and current appraisal data regarding certain employees helps the management in talking decisions for future employment. Without the knowledge of who is capable of being promoted, demoted, transferred, laid off or terminated, management cannot make employment plans for the future.

9. *Career Development:* Performance appraisal also enables managers to coach and counsel employees in their career development.

7.1.2 Objectives of Performance Appraisal

Performance appraisal can be done with following objectives in mind:

1. To maintain records in order to determine compensation packages, wage structure, salaries raises, etc.

2. To identify the strengths and weaknesses of employees to place right men on right job.

3. To maintain and assess the potential present in a person for further growth and development.

4. To provide a feedback to employees regarding their performance and related status.

5. It serves as a basis for influencing working habits of the employees.

6. To review and retain the promotional and other training programmes.

7.1.3 Performance Management versus Performance Appraisal

Comparing performance appraisal vs performance management, performance appraisal sets job standards and evaluates past performance based on such set standards whereas performance management aims at managing performance real-time to ensure performance reaches the desired levels. Performance appraisal and performance management are two employee performance evaluation methods. Performance management is the traditional approach to evaluating the performance of an employee.

Caution The increased competitive nature of the economy and rapid changes in the external environment has forced many organizations to shift from reactive performance appraisals to the proactive performance management to boost productivity and improve organizational performance.

1. *On the basis of Scope:* The basic difference between performance appraisal vs performance management lies in the scope.

    Both performance appraisals and performance management entail setting performance targets, reviewing the achievement of targets, and devising ways to enable employees to meet targets. Both these systems establish clear expectations on what an employee is expected to do, set the guidelines on what constitutes successful job performance, and strive to identify barriers to effective performance.

    Performance appraisal is, however, a limited and reactive function of evaluating past performance, undertaken once or twice a year. It is a distinct staff activity with no direct intervention to the employee's day-to-day work.

Performance management is a continuous and ongoing proactive mechanism to manage the performance of an employee and ensure that the employee achieves the set targets on a real-time basis, without reviews or corrective actions at some point in the future. It is a line activity and remains ingrained in the employee's day-to-day work.

In some organizations, performance appraisal becomes part of an overall performance management system. The appraisal takes place at periodic intervals and becomes the basis to make corrective actions and set further targets.

2. *On the basis of Approach:* In performance management, the manager of the supervisor assumes the role of a coach or mentor whereas in performance appraisal, the supervisor acts as a judge.

    Some performance appraisal techniques such as Management by Objectives (MBO) allow for joint setting of targets, by the supervisor and the employee, with frequent reviews, and thereby come close to performance management. Such methods, however, still fall short of the real-time management and monitoring of targets offered by performance management.

3. *On the basis of Methodology:* The performance appraisal tends to be more formal and structured. Although, most performance appraisal systems allow customization of key performance areas or what constitutes performance based on the employee, the system nevertheless remains rigid with laid down procedures and rating parameters binding on all employees equally.

    Performance management is a comparatively more casual and flexible method of evaluating an employee's performance. Like performance appraisals, it establishes guidelines on what constitutes optimal performance, but since the application is real-time, it allows for considerable relaxation or changes to such guidelines depending on the specific job situation and circumstances of the time.

    Performance management remains customized for the individual employee's actual work, whereas performance appraisal is usually standardized based on the employee's designation, or at best on the employee's job description rather than on the employee's actual work exigencies.

4. *On the basis of Merits and Demerits:* Comparing performance appraisal vs performance management, both lead to an increase in organizational productivity, though performance management allows for real-time changes to boost productivity.

Did u know? The real-time monitoring and correcting of performance in performance management help improve employee performance much better compared to the traditional performance appraisal system.

Performance management allows for linkage of performance to both long-term and short-term corporate goals. For instance, if the organization has a short-term aim to increase margins by ten percent during the season, such a linkage comes only in the next year's performance appraisal, or the linkage might not come at all. Employees tend to receive favorable reviews and bonuses even when the organization fails to achieve such short-term goals.

●   Performance management that focuses on actual results and on-the-job performance promotes team work. Most performance appraisal systems focus on individual achievements and focus on results rather than methods, prompting employees to place individual goals over team goals.

● Performance management helps in the successful implementation of initiatives such as Total Quality Management.

● Performance management eliminates rater bias, a major shortcoming of performance appraisals. In a performance appraisal, the employee's future depends not just on performance, but also on the goodwill of the supervisor.

● Performance management focuses on actual performance instead of memories of past performance. As such, it removes from the evaluation distortions that could have either helped with performing the job better or special circumstances impeding performance.

● Performance management eliminates stress arising from the impending appraisals.

● Performance management concentrates on the immediate and most relevant concerns, whereas performance appraisal forces looking into the past, which in many causes would remain irrelevant and force time away from pressing concerns.

● The apparent advantages of performance management notwithstanding, performance appraisal also has its uses and advocates.

Performance management and performance appraisal reflect the notions of 'hard' and 'soft' HRM. Performance management entails controlling the employee's activity, and is a "hard" and "top-down" approach which might not go down well with highly skilled and achievement-oriented employees who value autonomy. Performance appraisals allow for such autonomy, indicating a "soft" approach.

7.1.4 Limitations of Performance Appraisal

The limitations of performance appraisal are as follows:

1. *Halo Effect:* The rater may base the full appraisal on the basis or one positive quality which was found out earlier. For example, if a person is evaluated on one quality, i.e. emotional stability and if he scores very high in the case of emotional stability, then the rater may also give him high scores (marks or grades) for other qualities such as intelligence, creativity etc., even without judging these characteristics.

2. *Problem of Leniency or Strictness:* Many raters are too lenient (not strict) in their ratings. High scores may be given to all employees, even if they have no merit. Also a reverse situation may take place, where all employees are rated very strictly and very low scores are given.

3. *Central Tendency:* Sometimes, a rater gives only middle range scores to all individuals. Extremely high or low scores are avoided. This is called central tendency.

4. *Personal Bias:* Performance appraisal is affected by personal bias of the rater. If the rater has good relations with the rate (an employee who is getting rated), he may give higher scores to the ratee, even though the rate does not deserve such high scores.

5. *Paper Work:* Some supervisors complain that performance appraisal is pointless paper work. They complain because many times, performance appraisal reports are found only in the files. It does not serve any practical purpose. In other words, the performance appraisal reports are not used by some organisations. They are conducted just as a formality or for the name sake.

6. *Fear of Spoiling Relations:* Performance appraisal may also affect superior-subordinate relations. An appraisal makes the superior more of a judge than a coach. So, the subordinate may have a feeling of suspicion and mistrust, about the superior.

7. *Evaluate performance not person:* The rater should evaluate the performance, i.e. output, new ideas, extraordinary efforts, etc. and not the person. In reality, the person is evaluated and not his performance. It should be noted that failure is an event and a not a person.

8. *Horn Effect:* Sometimes, the raters may evaluate on the basis of one negative quality. This results in overall lower rating of the particular employee. For example, "He does not shave regularly. Therefore, he must be lazy at work."

9. *Spillover Effect:* In this case, the present performance appraisal is greatly influenced by past performance. A person who has not done a good job in the past is considered (assumed) to be bad for doing present work.

10. *Latest Behaviour Effect:* The rating is also influenced by the most recent behaviour. The rater may ignore an average behaviour during the full appraisal period.

Task Do you think that appraisals will convert employees into better employees? Give reasons with support of your answer.

Caselet **Performance Appraisal in Supreme Electricals**

Supreme Electricals is a leading manufacturer of plugs and switches. It caters to the masses. It is spring of 2005, and Mike Taylor, Senior Manager (Marketing), Supreme Electricals is finalizing the results of Performance appraisal to evaluate his teams' current and past performance relative to their performance standards for promotion purpose. He believes academic records can serve as a good base for deciding on efficient individuals. He is a good listener and a dynamic leader.

Paul Thomas became a part of the Marketing Department in Supreme Electricals on 27/06/2004. Since then he has been working under Mike Taylor as Marketing Executive. Paul is an inquisitive person. He does not hesitate to inspect the root level to find solutions to his queries. He is completely Type A personality. He is an impressive individual though he gets argumentative at times.

Key Incident: Two months back a team of foreign delegates had come to visit the office when in the boardroom Paul objected to Mike Taylor's viewpoint. Though eventually the group's consensus was on Taylor's viewpoint. Paul is a junior who every senior would like to have because he never says no to work.

Tania Joseph joined Supreme Electrical on 18/06/2004. She is a dignified lady and has been a topper throughout her academic career. She prefers to listen more than speak. She has good product knowledge but is not very good at convincing to the extent of converting query into sales. She is good in dealing with the elite class of customers but cannot handle the masses. She understands and interprets fast. She is from the same regional area as that of Mike Taylor.

Key Incident: She was responsible for getting ₹ 45,000 business once from the high-class customers but at the cost of loosing 4 permanent low profile customers. Michael Moore is a diligent and forward looking chap. He is an MBA in Marketing unlike others and is the man for electrical as he has six months experience in the same field, again, unlike others.

Contd...

His performance has been consistently good over the last seven months. He joined on 5/5/2005. He believes in achievements and never fails to fulfill his targets. If given an opportunity he could perform well at a senior level position without flaw.

Key Incident: Once during an exhibition his electrical model was well appreciated by the seniors much to the dislike of many who took it as a threat.

Finally, Tania Joseph is promoted.

Source: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=698881

Self Assessment

State whether the following statements are true or false:

1.   The supervisors measure the pay of employees and compare it with targets and plans.

2.   Appraisals are a key part of the performance management cycle.

3.   Performance appraisal cannot be used to compensate the employees by increasing their pay and other incentives.

4.   The performance appraisal tends to be more informal and unstructured.

7.2 Methods/Techniques of Performance Appraisal

Companies use different methods of appraisal for identifying and appraising the skills and qualities of their employees. The different methods used can be explained with the help of following figure.

Figure 7.1: Methods of Performance Appraisal	
Traditional method	**Modern method**
1. Checklist method	1. Role analysis
2. Confidential report	2. Assessment centers
3. Critical incident method	3. management by objective
4. Ranking method	4. Behavioral anchored rating scale
5. Graphic rating scale	5. Psychological testing
6. Narrated essay	6. Human resource accounting
	7. 360° Appraisal

Source: http://studyvalue.com/_management_sciences/_hrm/definition_of_persormance_appraisal_32.html

7.2.1 Traditional Methods of Performance Appraisal

Traditional method of performance appraisal has been used by companies for very long time. A common feature of these methods is they are all relatively simple and involve appraisal by one senior.

1.   *Check list method:* In this method, the senior or the boss is given a list of questions about the junior. These questions are followed by check boxes. The superior has to put a tick mark in any one of the boxes

For example, check the following sample of a simple checklist.

(a)   Does the employee work best under tension?   Yes   No

(b)   Does he make any mistakes?   Yes   No

(c)   Does he follow the instruction of his superior?   Yes   No

The rater has to tick mark "Yes" or "No" for each statement. The rater must have full knowledge about the employee's behaviour on the job.

As seen, in the above example, a questioner containing questions is given to the senior. This method is an extremely simple method and does not involve a lot of time. The same set of questioners can be given foe every employee so that there is uniformity in selecting employee.

The main advantages of checklist method are:

❖   It is simple,

❖   It is convenient,

❖   It takes less time, and

❖   it is very economical.

The main disadvantage of checklist method is that the statements are structured, and it does not have depth like the critical Incident Method and the Essay Method.

2. *Confidential report:* This is an old and traditional method of rating the employees. A confidential report is a report about the employee. It is prepared by his immediate superior. It contains information about the employee's strengths, weaknesses, major failure and achievements. It also contains information about the employee's personality traits (qualities) and about his behaviour. Confidential report is used to take decisions about transfers, promotions, etc. This method is very popular in government departments to appraise IAS officers and other high level officials. In this method, the senior or the boss writes a report about the junior giving him details about the performance about the employee. The positive and negative traits, responsibilities handled on the job and recommendations for future incentives or promotions. The report is kept highly confidential and access to the report is limited.

3. *Critical incident method:* In this method, critical or important incidents which have taken place on this job are noted down along with employee's behaviour and reaction in all these situations. Both positive and negative incidents are mentioned. This is followed by an analysis of the person, his abilities and talent, recommendations for the future incentives and promotions. Here, the supervisor writes a brief report about any incident, which affects the performance of the job. The incident may be positive or negative.

Example: A salesman is very patient with a difficult customer, and he succeeds in selling the goods to that customer. This is a critical incident. The supervisor writes a brief report about this incident. This report is in favour of the salesman. So the salesmen will get a high rating. This method has some disadvantages, as some supervisors only record negative incidents. They do not record positive incidents. Some supervisors are also biased while recording the incidents.

4. *Ranking method:* Ranking method is the oldest and simplest method of rating the employees. Here, all the employees who are doing the same job are compared with each other. Then, each employee is given a particular rank, i.e. First Rank, Second Rank, etc. The best employee is given the first rank, and the worst employee is given the last rank. In this

method, ranks are given to employees based on their performance. There are different methods of ranking employees:

(a) *Simple ranking method:* Simple ranking method refers to ranks in serial order from the best employee, for example, if we have to rank 10 best employees we start with the first best employee and give him the first rank this is followed by the 2nd best and so on until all 10 have been given ranks.

(b) *Alternate ranking:* In this method, the serial alternates between the best and the worst employee. The best employee is given rank 1 and then we move to the worst employee and give him rank 10 again to 2nd best employee and give him rank 2 and so on.

(c) *Paired comparison:* In this method, each and every person is the group, department or team is compared with every other person in the team/group/department. The comparison is made on certain criteria and finally ranks are given. This method is superior because it compares each and every person on certain qualities and provides a ranking on that basis.

5. *Graphic rating scale:* Graphic rating scale refers to using specific factors to appraise people. Graphic rating scale method is one of the oldest and widely used methods of performance appraisal. Here, a graphic scale is used to rate the employee. Factors such as quality of work, quantity of work, dependability, etc. are rated. The entire appraisal is presented in the form of a chart. The chart contains certain columns which indicate qualities which are being appraised and other columns which specify the rank to be given. The senior has to put a tick mark for a particular quality along with the ranking. Such charts are prepared for every employee. According to the department in which they work. Sometimes, the qualities which are judged may change depending upon the department.

A simple graphic rating scale is shown in the sample table below.

	Quality of Work	**Quantity of Work**	**Dependability**
Excellent			
Good			
Average			
Poor			

Graphic rating scale method is easy to understand and simple to use. It also consumes less time. However, it involves a lot of paper work and there are chances of bias by the rater.

6. *Narrated essay:* Narrative Essay is the simplest method of rating an employee. Here, the rater writes in detail, the employee's strengths, weaknesses and potential. He also gives suggestions for improvement. If the essays are written well then they can be used to improve the performance of the employees. This method is better than other complex methods. In this method, the senior or the boss is supposed to write a narrative essay describing the qualities of his junior. He may describe the employees' strength and weakness, analytical abilities etc. The narrative essay ends with a recommendation for future promotion or for future incentives.

7.2.2 Modern Methods of Performance Appraisal

Modern methods of appraisal are being increasingly used by companies. Now days one of the striving feature that appraisal involves is, the opinion of many people about the employee and in some cases psychological test are used to analyze the ability of employee. These methods are as follows:

1. *Role Analysis:* In this method of appraisal, the person who is being apprised is called the focal point and the members of his group who are appraising him are called role set members. The role analysis method involves two parties, viz., the focal role and the role set members. The focal role is the ratee. That is, he is a manager whose performance is appraised. The role set members are the raters. That is, they are the managers who come in close contact with the focal role while he is doing his job. The role set members will judge the performance of the focal role. As per their judgments, the focal role will make changes in his performance.

    These role set members identify Key Result Areas (KRA) and their improvement will determine the amount of incentives and benefits which the employee will receive in future. The appraisal depends upon what role set members have to say about the employee.

2. *Assessment Centers:* Assessment Centers (AC) are places where the employee's are assessed on certain qualities talents and skills which they possess. This method is used for selection as well as for appraisal. This method is mostly used for selecting employees and managers. However, nowadays this method is used for performance appraisal. It is used to decide which manager to promote to a higher level. The ratees are given many psychological tests, management games, oral presentations and other exercises. They are asked questions and they are judged by the raters. The people who attend assessment centers are given management games, psychological test, puzzles, questioners about different management related situations, etc. based on their performance in these test an games appraisal is done.

3. *Management by Objective (MBO):* This method was given by Peter Drucker in 1954. It was intended to be a method of group decision making. It can be use for performance appraisal also. In this method, all members of the department starting from the lowest level employee to the highest level employee together discus, fix target goals to be achieved, plan for achieving these goals and work together to achieve them. The seniors in the department get an opportunity to observe their junior – group efforts, communication skills, knowledge levels, interest levels, etc. based on this appraisal is done.

    Management by Objectives is a management system designed to achieve organizational effectiveness by steering each employee's behaviour toward the organization's mission. MBO is often used in place of traditional performance appraisals. The MBO process includes goal setting, planning, and evaluation. Goal setting starts at the top of the organization with the establishment of the organization's mission statement and strategic goals. The goal-setting process then cascades down through the organizational hierarchy to the level of the individual employee. An individual's goals should represent outcomes that, if achieved, would most contribute to the attainment of the organization's strategic goals. In most instances, individual goals are mutually set by employees and their supervisors, at which time they also set specific performance standards and determine how goal attainment will be measured.

    As they plan, employees and supervisors work together to identify potential obstacles to reaching goals and devise strategies to overcome these obstacles. The two parties periodically meet to discuss the employee's progress to date and to identify any changes in goals necessitated by organizational circumstances. In the evaluation phase, the employee's success at meeting goals is evaluated against the agreed-on performance standards. The final evaluation, occurring annually in most cases, serves as a measure of the employee's performance effectiveness.

    Here, the following process is used:

    ❖   The superior and subordinate managers jointly fix common objectives.

    ❖   The superior and subordinate managers jointly make plans for achieving the objectives.

❖ The subordinate manager implements the plans.

❖ Then the actual performance of the subordinate manager is compared with the objectives and the deviations are found out.

❖ Necessary Corrective Action is taken or the plans are modified.

MBO is a very good method of performance appraisal because the subordinates are involved in their appraisal. MBO presents several potential problems, however, three of which are addressed here.

❖ It sometimes ignores the prevailing culture and working conditions of the organization.

❖ More emphasis is being laid on targets and objectives. It just expects the employees to achieve their targets and meet the objectives of the organization without bothering much about the existing circumstances at the workplace. Employees are just expected to perform and meet the deadlines.

Did u know? The MBO Process sometimes does treat individuals as mere machines.

❖ The MBO process increases comparisons between individuals at the workplace. Employees tend to depend on nasty politics and other unproductive tasks to outshine their fellow workers. Employees do only what their superiors ask them to do. Their work lacks innovation, creativity and sometimes also becomes monotonous.

4. *Behaviourally Anchored Rating Scale (BARS):* BARS method is a variation of simple graphic scale method. Here, the behaviour or attitude of the employee towards his job is rated. Some employees have a positive attitude towards their job. They continuously try to upgrade (improve) their knowledge and skills. However, some employees have a negative attitude towards their job. They do not try to upgrade and update their knowledge and skills so; the employees can be divided into two groups based on their behaviour towards their job. In this method, the appraisal is done to test the attitude of the employee towards his job. Normally, people with positive approach or attitude view and perform their job differently as compared to people with a negative approach.

A BARS, like a graphic rating scale, requires appraisers to rate employees on different performance dimensions. The typical BARS include seven or eight performance dimensions, each anchored by a multi-point scale. But the rating scales used on BARS are constructed differently than those used on graphic rating scales. Rather than using numbers or adjectives, a BARS anchors each dimension with examples of specific job behaviours that reflect varying levels of performance.

The process for developing a BARS is rather complex. Briefly, it starts with a job analysis, using the critical incident technique. This involves having experts generate a list of critical incidents specific examples of poor, average, and excellent behaviours that are related to a certain job. The incidents are then categorized by dimension. Finally, a rating scale is developed for each dimension, using these behaviours as "anchors" to define points along the scale.

Caution When initially formulated, BARS were expected to be vastly superior to graphic rating scales. HRM experts thought the behavioural anchors would lead to more accurate ratings because they enabled appraisers to better interpret the meaning of the various

points along the rating scale. That is, rather than having the rater try to pinpoint the meaning of a vague anchor such as "excellent," the rater would have improved accuracy by having a critical incident as an anchor. As we shall see, however, this expectation has not been met. Perhaps the greatest strength of BARS is its ability to direct and monitor behaviour. The behavioural anchors let employees know which types of behaviour are expected of them and give appraisers the opportunity to provide behaviourally-based feedback.

The superiority of BARS over graphic rating scales has not been substantiated by research. In fact, the great majority of studies on this topic have failed to provide evidence that justifies the tremendous amount of time and effort involved in developing and implementing BARS. The failures of BARS may lie in the difficulty raters experience when trying to select the one behaviour on the scale that is most indicative of the employee's performance level. Sometimes, an employee may exhibit behaviours at both ends of the scale, so the rater does not know which rating to assign.

5. *Psychological Testing:* In this method, clinically approved psychological test are conducted to identify and appraise the employee. A feedback is given to the employee and areas of improvement are identified. Psychological appraisal is done to find out the conceptual skills, human skills, technical skills, etc. of the employee. It is done by different methods, such as in-depth interviews, psychological tests, consultations and discussions with the employees, superiors, subordinates and others, who are working with the employee.

6. *Human Resource Audit/Accounting (HRA):* Human Resource Accounting measures the cost and contribution of human resources in the organisation. The cost includes the cost of recruitment, selection, induction, training, salaries and other facilities, etc. Contribution is the money value of the service of the employees. This service is measured by labour productivity. If the contribution is more than the cost, then the employee performance is positive and vice-versa. In this method, the expenditure on the employee is compared with the income received due to the efforts of the employee. A comparison is made to find out the utility of the employee to the organization. The appraisal informs the employee about his contribution to the company and what is expected in future.

7. *360 Degree Appraisal:* In this method of appraisal and all round approach is adopted. Feedback about the employee is taken from the employee himself, his superiors, his juniors, his colleagues, customers he deals with, financial institutions and other people he deals with etc. Based on all these observations an appraisal is made and feedback is given. This is one of the most popular methods. An appraisal made by top management, immediate superior, peers, subordinates, self and customers is called 360 Degree Appraisal. Here, the performance of the employee or manager is evaluated by six parties (See Figure 7.2), including himself. So, he gets a feedback of his performance from everyone around him. This method is very reliable because evaluation is done by many different parties. These parties are in the best position to evaluate the employee or manager because they are continuously interacting and working with him. This method is mostly used to evaluate the performance of the employees. However, it is also used to evaluate other qualities such as talents, behaviour, values, ethical standards, tempers, loyalty, etc.

360 degree appraisal was first developed by General Electric (GE), USA in 1992. Today, it is used by all major organisations. In India, it is used by Crompton Greaves, Wipro, Infosys, Reliance Industries, etc.

The six parties involved in 360 degree appraisal which is depicted in Figure 7.2 are:

1. *Top Management:* The top management normally evaluates the middle level managers. However, in a small organisation, they also evaluate the performance of the lower level managers and senior employees.

2. *Immediate Superior:* The immediate superior is in a very good position to evaluate the performance of his subordinates. This is because they have direct and accurate information about the work performance of their subordinates.

3. *Peers/Co-workers:* Peer or colleagues also evaluate each other's performance. They work continuously with each other, and they know each other's performance. Peer evaluation is used mostly in cases where team work is important.

Figure 7.2: Six Parties in 360 Degree Appraisal

Source: http://kalyan-city.blogspot.com/2011/05/360-degree-appraisal-meaning-and-six.html
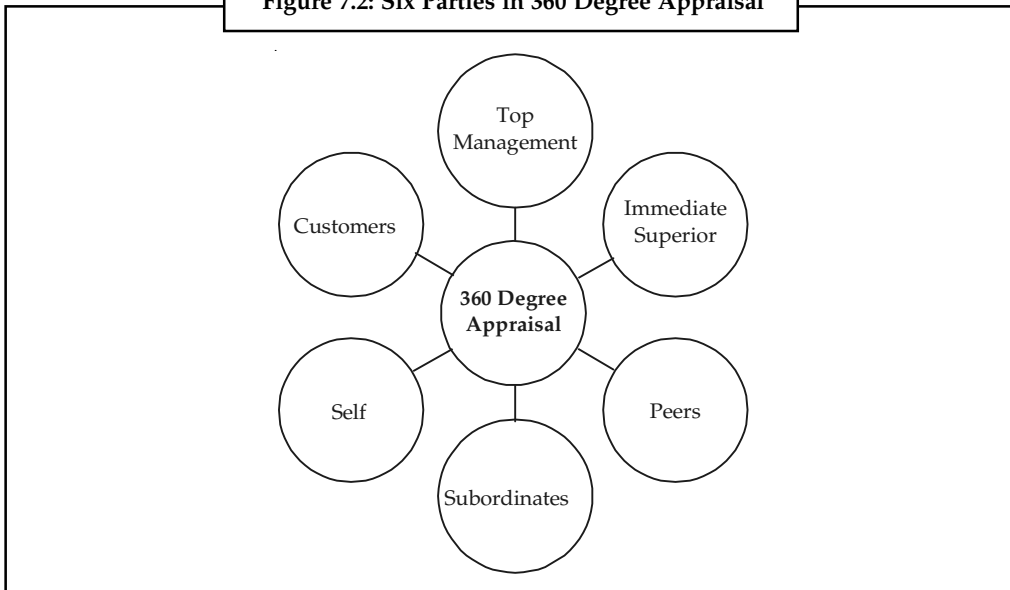
4. *Subordinates:* The subordinates can also evaluate the performance of his superior. Nowadays students are asked to evaluate the performance of their teachers.

5. *Self-appraisal:* In the self-appraisal, a person evaluates his own performance. He should be honest while evaluating himself. This results in self-development.

6. *Customers:* Customers can also evaluate the performance of the employees who interacts with them. This evaluation is best because it is objective. It is also given a lot of importance because the customer is the most important person for the business. Organisations use customer appraisals to improve the strengths and remove the weaknesses of their employees.

Notes In addition to these six parties, appraisal can also be done by an Appraisal Panel. This panel consists of 5 to 6 different types of members. Outside Consultants are also used for conducting appraisals. In some cases, Personnel Department also conducts an appraisal of employees and managers.

360 Degree Appraisal is becoming more popular because many parties are available for evaluation. Therefore, there is no "bias" or "halo effect". Hence, the evaluation will become more realistic.
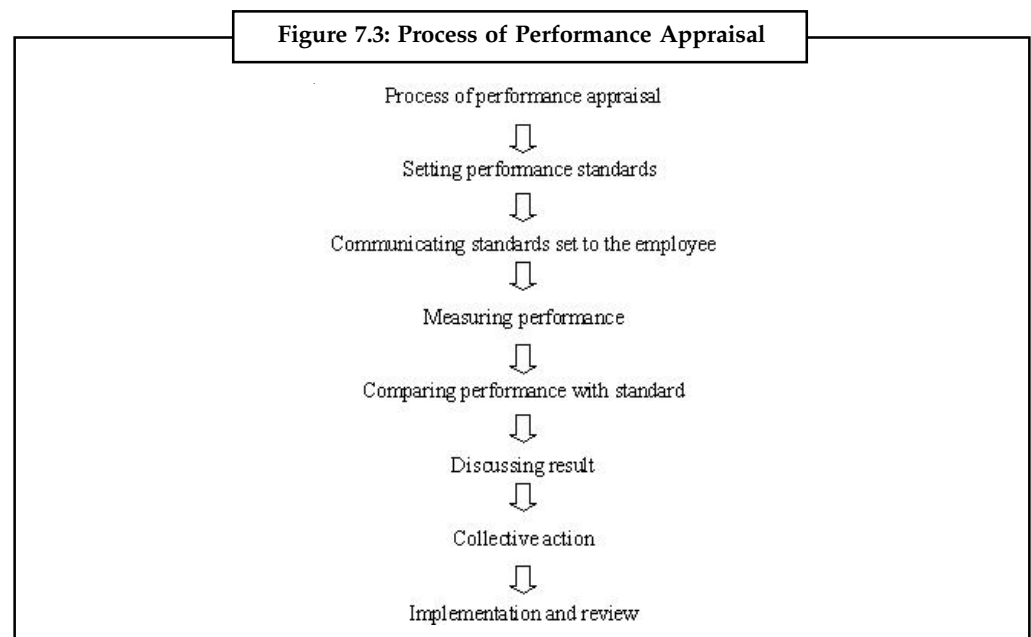
Self Assessment

Fill in the blanks:

5 …………………… method is the oldest and simplest method of rating the employees.

6. In …………………… , the rater writes in detail, the employee's strengths, weaknesses and potential.

7. …………………… are places where the employee's are assessed on certain qualities talents and skills which they possess.

8. …………………… appraisal is done to find out the conceptual skills, human skills, technical skills, etc. of the employee.

7.3 Performance Appraisal Process

The performance appraisal process is one that few look forward to. However, understanding the process can help managers and employees conduct a more fruitful appraisal. Process of performance appraisal followed by different companies is different. A general procedure is explained below with the help of a Figure 7.3:

Figure 7.3: Process of Performance Appraisal

Process of performance appraisal
⇩
Setting performance standards
⇩
Communicating standards set to the employee
⇩
Measuring performance
⇩
Comparing performance with standard
⇩
Discussing result
⇩
Collective action
⇩
Implementation and review

Source: http://studyvalue.com/_management_sciences/_hrm/process_of_performance_ appraisal_ 35.html

The process of performance appraisal is discussed below:

1. *Setting performance standards:* The first step in the process of performance appraisal is the setting up of the standards which will be used to as the base to compare the actual performance of the employees. This step requires setting the criteria to judge the performance of the employees as successful or unsuccessful and the degrees of their contribution to the organizational goals and objectives. The standards set should be clear, easily understandable and in measurable terms. In this very first step in performance appraisal, the HR department decides the standards of performance, i.e. they decide what exactly is expected from the employee for each and every job. Sometimes certain marking

scheme may be adopted. In case, the performance of the employee cannot be measured, great care should be taken to describe the standards.

Example: A score 90/100 = excellent performance, a score of 80/100 = good. And so on.

2. *Communication standard set to the employee:* Standards of performance appraisal decided in 1st step are now conveyed to the employee so that the employee will know what is expected from him and will be able to improve his performance. Once set, it is the responsibility of the management to communicate the standards to all the employees of the organization.

   The employees should be informed and the standards should be clearly explained to the. This will help them to understand their roles and to know what exactly is expected from them. The standards should also be communicated to the appraisers or the evaluators and if required, the standards can also be modified at this stage itself according to the relevant feedback from the employees or the evaluators.

3. *Measuring performance:* The most difficult part of the performance appraisal process is measuring the actual performance of the employees that is the work done by the employees during the specified period of time. It is a continuous process which involves monitoring the performance throughout the year. This stage requires the careful selection of the appropriate techniques of measurement, taking care that personal bias does not affect the outcome of the process and providing assistance rather than interfering in an employees work. The performance of the employee is now measure by the HR department, different methods can be used to measure performance, i.e. traditional and modern method. The method used depends upon the company's convenience.

4. *Comparing performance with standard:* The actual performance is compared with the desired or the standard performance. The comparison tells the deviations in the performance of the employees from the standards set. The result can show the actual performance being more than the desired performance or, the actual performance being less than the desired performance depicting a negative deviation in the organizational performance. It includes recalling, evaluating and analysis of data related to the employees' performance. The performance of the employee is now judged against the standard. To understand the score achieved by him. Accordingly, we come to know which category of performance the employee falls into, i.e. excellent, very good, good, satisfactory, etc.

5. *Discussing result:* The results obtained by the employee after performance appraisal are informed or conveyed to him by the HR department. A feedback is given to the employee asking him to change certain aspects of his performance and improve them.

6. *Collective action:* The result of the appraisal is communicated and discussed with the employees on one-to-one basis. The focus of this discussion is on communication and listening. The results, the problems and the possible solutions are discussed with the aim of problem solving and reaching consensus. The feedback should be given with a positive attitude as this can have an effect on the employees' future performance. The purpose of the meeting should be to solve the problems faced and motivate the employees to perform better. The employee is given a chance or opportunity to improve himself in the areas specified by the HR department. The HR department constantly receives or keeps a check on the employee's performance and notes down improvements in performance.

7. *Implementation and review:* The last step of the process is to take decisions and implement it which can be taken either to improve the performance of the employees, take the required corrective actions, or the related HR decisions like rewards, promotions, demotions, transfers, etc. The performance appraisal policy is to be implemented on a regular basis. A review must be done from time to time to check whether any change in policy is required. Necessary changes are made from time to time.

Self Assessment

State whether the following statements are true or false:

9. The actual performance is compared with the desired or the standard performance.

10. A feedback is given to the employee asking him to change certain aspects of his performance and improve them.

11. The result of the appraisal is not communicated and discussed with the employees on one-to-one basis.

12. The performance appraisal policy is not to be implemented on a regular basis.

7.4 Employee Evaluation and Performance Appraisals

Most companies have a formal performance appraisal system in which employee job performance is rated on a regular basis, usually once a year. A good performance appraisal system can greatly benefit an organization. It helps direct employee behaviour toward organizational goals by letting employees know what is expected of them, and it yields information for making employment decisions, such as those regarding pay raises, promotions, and discharges.

Developing and implementing an effective system is no easy task. For instance, one study found that a majority of companies 5 per centre dissatisfied with their performance appraisal systems. Analysts have found that a fairly low degree of reliability and validity remains a major bug in most appraisal systems. Many such systems are met with considerable resistance by those whose performance is being appraised, thus hampering the possibilities for effectiveness. While accurate and informative appraisal systems can be a major asset to a business, they are too often an unrealized goal.

There are three major aspects in the evaluating performance appraisal process: identification, measurement, and management.

1. *Identification:* The organization must determine for each job family the skills and behaviours that are necessary to achieve effective performance. The organization should identify dimensions, which are broad aspects of performance.

Example: "Quality of work" is a dimension required in many jobs. To determine which dimensions are important to job performance, the organization should rely on an accurate and up-to-date job analysis. Job descriptions written from job analyses should offer a detailed and valid picture of which job behaviours are necessary for successful performance.

In the identification stage, the company must also choose who will rate employee performance. Supervisors, peers, and the employees themselves may provide performance ratings. In most instances, performance appraisals are the responsibility of the immediate supervisor of an employee. Supervisors rate performance because they are usually the ones most familiar with the employee's work. Additionally, appraisals serve as management tools for supervisors, giving them a means to direct and monitor employee behaviour. Indeed, if supervisors are not allowed to make the appraisals, their authority and control over their subordinates could be diminished.

While supervisory ratings can be quite valuable, some companies have added peer appraisals to replace or supplement those given by the supervisor. Naturally, peers and supervisors each view an individual's performance from different perspectives. Supervisors usually possess greater information about job requirements and performance outcomes.

On the other hand, peers often see a different, more realistic view of the employee's job performance because people often behave differently when the boss is present. Using peer ratings to supplement supervisory ratings may thus help to develop a consensus about an individual's performance. It may also help eliminate biases and lead to greater employee acceptance of appraisal systems.

Potential problems may limit the usefulness of peer ratings, however, especially if they are used in lieu of supervisory ratings. Firstly, the company must consider the nature of its reward system. If the system is highly competitive, peers may perceive a conflict of interest. High ratings given to a peer may be perceived as harming an individual's own chances for advancement. Secondly, friendships may influence peer ratings. A peer may fear that low ratings given to a colleague will harm their friendship or hurt the cohesiveness of the work group. On the other hand, some peer ratings may be influenced by a dislike for the employee being rated.

Some organizations use self-ratings to supplement supervisory ratings. As one might expect, self-ratings are generally more favorable than those made by supervisors and peers and therefore may not be effective as an evaluative tool. However, self-ratings may be used for employee development. Their use may uncover areas of subordinate-supervisor disagreement, encourage employees to reflect on their strengths and weaknesses, lead to more constructive appraisal interviews, and make employees more receptive to suggestions.

2. *Measurement:* Once the appropriate performance dimensions have been established for jobs, the organization must determine how best to measure the performance of employees. This raises the critical issue of which rating form to use. In the vast majority of organizations, managers rate employee job performance on a standardized form. A variety of forms exist, but they are not equally effective. To be effective, the form must be relevant and the rating standards must be clear. Relevance refers to the degree to which the rating form includes necessary information, that is, information that indicates the level or merit of a person's job performance. To be relevant, the form must include all the pertinent criteria for evaluating performance and exclude criteria that are irrelevant to job performance. The omission of pertinent performance criteria is referred to as criterion deficiency.

Example: An appraisal form that rates the performance of police officers solely on the basis of the number of arrests made is deficient because it fails to include other aspects of job performance, such as conviction record, court performance, number of commendations, and so on. Such a deficient form may steer employee behaviour away from organizational goals; imagine if police officers focused only on arrests and neglected their other important duties.

When irrelevant criteria are included on the rating form, criterion contamination occurs, causing employees to be unfairly evaluated on factors that are irrelevant to the job. For example, criterion contamination would occur if an auto mechanic were evaluated on the basis of personal cleanliness, despite the fact that this characteristic has nothing to do with effective job performance.

Performance standards indicate the level of performance an employee is expected to achieve. Such standards should be clearly defined so that employees know exactly what the company expects of them. For instance, the standard "load a truck within one hour" is much clearer than "work quickly." Not only does the use of clear performance standards help direct employee behaviour, it also helps supervisors provide more accurate ratings; two supervisors may disagree on what the term "quickly" means, but both attribute the same meaning to "one hour."

To meet the standards described in the previous section, a firm must use an effective rating form. The form provides the basis for the appraisal, indicating the aspects or dimensions of performance that are to be evaluated and the rating scale for judging that performance. Human Resources (HR) experts have developed a variety of instruments for appraising performance.

3. *Management:* In the management phase of performance appraisal, employees are given feedback about their performance and that performance is either reinforced or modified. The feedback is typically given in an appraisal interview, in which a manager formally addresses the results of the performance appraisal with the employee. Ideally, the employee will be able to understand his or her performance deficiencies and can ask questions about the appraisal and his or her future performance. The manager should give feedback in a way that it will be heard and accepted by the employee; otherwise, the appraisal interview may not be effective.

   The appraisal interview may also have an appeals process, in which an employee can rebut or challenge the appraisal if he or she feels that it is inaccurate or unfair. Such a system is beneficial because it:

   ❖ allows employees to voice their concerns.

   ❖ fosters more accurate rating fear of a possible challenge may discourage raters from assigning arbitrary or biased ratings.

   ❖ often prevents the involvement of outside third parties (e.g., unions, courts).

The downside of using an appeals system is that it tends to undermine the authority of the supervisor and may encourage leniency error. For example, a supervisor may give lenient ratings to avoid going through the hassle of an appeal.

Self Assessment

Fill in the blanks:

13. A good performance appraisal system can greatly benefit an ....

14. Some organizations use .... to supplement supervisory ratings.

15. The omission of pertinent performance criteria is referred to as ....

16. In the .... phase of performance appraisal, employees are given feedback about their performance and that performance is either reinforced or modified.

📖 *Case Study* **New Performance Appraisal System at Xerox**

I n the mid-1980s Xerox Corporation was faced with a problem—its performance appraisal system was not working. Rather than motivating the employees, its system was leaving them discouraged and disgruntled. Xerox recognized this problem and developed a new system to eliminate it.

Old Performance Appraisal System

The original system used by Xerox encompassed seven main principles:

1. The appraisal occurred once a year.

---

2. It required employees to document their accomplishments.

3. The manager would assess these accomplishments in writing and assign numerical ratings.

4. The appraisal included a summary written appraisal and a rating from 1 (unsatisfactory) to 5 (exceptional).

5. The ratings were on a forced distribution, controlled at the 3 level or below.

6. Merit increases were tied to the summary rating level.

7. Merit increase information and performance appraisals occurred in one session.

This system resulted in inequitable ratings and was cited by employees as a major source of dissatisfaction. In fact, in 1983, the Reprographic Business Group (RBG), Xerox's main copier division, reported that 95 percent of its employees received either a 3 or 4 on their appraisal. Merit raises for people in these two groups only varied by 1 to 2 percent. Essentially, across-the-board raises were being given to all employees, regardless of performance.

New Performance Appraisal System

Rather than attempting to fix the old appraisal system, Xerox formed a task force to create a new system from scratch. The task force itself was made up of senior human resources executives; however, members of the task force also consulted with councils of employees and a council of middle managers. Together they created a new system, which differed form the old one in many key respects:

1. The absence of a numerical rating system.

2. The presence of a half-year feedback session.

3. The provision for development planning.

4. Prohibition in the appraisal guidelines of the use of subjective assessments of performance.

The new system has three stages, as opposed to the one-step process of the old system. These stages are spread out over the course of the year. The first stage occurs at the beginning of the year when the manager meets with each employee. Together, they work out a written agreement on the employee's goals, objectives, plans, and tasks for the year. Standards of satisfactory performance are explicitly spelled out in measurable, attainable, and specific terms.

The second stage is a mid-year, mandatory feedback and discussion session between the manager and the employee. Progress toward objectives and performance strengths and weaknesses are discussed, as well as possible means for improving performance in the latter half of the year. Both the manager and the employee sign an "objectives sheet" indicating that the meeting took place.

The third stage in the appraisal process is the formal performance review, which takes place at year's end. Both the manager and the employee prepare a written document, stating how well the employee met the preset performance targets. They then meet and discuss the performance of the employee, resolving any discrepancies between the perceptions of the manager and the employee. This meeting emphasizes feedback and improvement. Efforts are made to stress the positive aspects of the employee's performance

Contd...

as well as the negative. This stage also includes a developmental planning session in which training, education, or development experiences that can help the employee are discussed. The merit increase discussion takes place in a separate meeting from the performance appraisal, usually a month or two later. The discussion usually centers on the specific reasons for the merit raise amount, such as performance, relationship with peers, and position in salary range. This allows the employee to better see the reasons behind the salary increase amount, as opposed to the summary rank, which tells the employee very little.

A follow-up survey was conducted the year after the implementation of the new appraisal system. Results were as follows:

1. 81 percent better understood work group objectives

2. 84 percent considered the new appraisal fair

3. 72 percent said they understood how their merit raise was determined

4. 70 percent met their personal and work objectives

5. 77 percent considered the system a step in the right direction

In conclusion, it can be clearly seen that the new system is a vast improvement over the previous one. Despite the fact that some of the philosophies, such as the use of self-appraisals, run counter to conventional management practices, the results speak for themselves.

Questions:

1. What type of performance appraisal is central to new system at Xerox? Which, if any, of the criteria for a successful appraisal does this new system have?

2. Given the emphasis on employee development, what implications does this have for hiring and promotions?

3. How do you think, management feels about the new performance appraisal system? Why?

4. Are there any potential negative aspects of the new performance appraisal system?

Source: http://www.mbaknol.com/management-case-studies/case-study-on-new-performance-appraisal-system-at-xerox/

7.5 Summary

- A performance appraisal is a review and discussion of an employee's performance of assigned duties and responsibilities.

- The appraisal is based on results obtained by the employee in his/her job, not on the employee's personality characteristics.

- The appraisal measures skills and accomplishments with reasonable accuracy and uniformity.

- It provides a way to help identify areas for performance enhancement and to help promote professional growth.

- It should not, however, be considered the supervisor's only communication tool. Open lines of communication throughout the year help to make effective working relationships.

- Each employee is entitled to a thoughtful and careful appraisal.

- The success of the process depends on the supervisor's willingness to complete a constructive and objective appraisal and on the employee's willingness to respond to constructive suggestions and to work with the supervisor to reach future goals.

- Traditional method of performance appraisal has been used by companies for very long time.

- Modern methods of appraisal are being increasingly used by companies.

- Most companies have a formal performance appraisal system in which employee job performance is rated on a regular basis, usually once a year.

- Process of performance appraisal followed by different companies is different.

- Companies use different methods of appraisal for identifying and appraising the skills and qualities of their employees.

7.6 Keywords

360 Degree Appraisal: Performance-appraisal data collected from 'all around' an employee his or her peers, subordinates, supervisors, and sometimes, from internal and external customers.

Appraisal: Impartial analysis and evaluation conducted according to established criteria to determine the acceptability, merit, or worth of an item.

Assessment Centers (AC): Assessment centers are places where the employee's are assessed on certain qualities talents and skills which they possess.

Behavioural Anchored Rating Scale (BARS): BARS is a relatively new technique which combines the graphic rating scale and critical incidents method.

Critical Incident Method: In this method critical or important incidents which have taken place on this job are noted down along with employee's behaviour and reaction in all these situations.

Graphic Rating Scale: Graphic rating scale refers to using specific factors to appraise people.

Halo Effect: The halo effect or halo error is a cognitive bias in which one's judgments of a person's character can be influenced by one's overall impression of him or her.

Human Resource Planning (HRP): Human resources planning is a process that identifies current and future human resources needs for an organization to achieve it goals.

Layoff: Suspension or termination of employment (with or without notice) by the employer or management.

Management by Objectives (MBO): Management by objectives (MBO), also known as management by results (MBR), is a process of defining objectives within an organization so that management and employees agree to the objectives and understand what they need to do in the organization in order to achieve them.

Paired Comparison: In this method each and every person is the group, department or team is compared with every other person in the team/group/department.

Performance Appraisal: Performance Appraisal is the systematic evaluation of the performance of employees and to understand the abilities of a person for further growth and development.

Performance Management: Performance management is the traditional approach to evaluating the performance of an employee.

Notes   *Promotions:* A promotion is an increase in rank often accompanied by more pay, benefits and responsibilities.

Simple Ranking Method: Simple ranking method refers to ranks in serial order from the best employee.

Transfers: A transfer is the movement of a permanent competitive class employee from a position in one title to a position in a different title, or from a position in one organization.

7.7 Review Questions

1. What do you understand by performance appraisal?

2. Highlight the importance of performance appraisal.

3. Explain the objectives of performance appraisal.

4. Distinguish between performance management and performance appraisal.

5. Discuss the limitations of performance appraisal.

6. Elucidate any two traditional methods of performance appraisal.

7. Define Management by Objective (MBO).

8. What is Behaviourally Anchored Rating Scale (BARS)?

9. Describe the six parties involved in 360 degree appraisal.

10. Comment on the process of performance appraisal.

11. What are the three major aspects in the evaluating performance appraisal process?

Answers: Self Assessment

1.	True	2.	True
3.	False	4.	False
5.	Ranking	6.	Narrative Essay
7.	Assessment centers (AC)	8.	Psychological
9.	True	10.	True
11.	False	12.	False
13.	Organization	14.	Self-ratings
15.	Criterion Deficiency	16.	Management

7.8 Further Readings

Books   Aswathappa, K. (2007), "*Human Resource and Personnel Management*, Tata McGraw Hill.

Bhattacharyya, D. K. (2006), *Human Resource Management*, Excel Books.

Mathis, Robert L & Jackson, John H. (2007), *Human Resource Management,* Thomson.

Rao, P. L. (2004), *Comprehensive Human Resource Management*, Excel Books.

Rao, VSP (2005), *Human Resource Management,* Excel Books.

Online links   http://kalyan-city.blogspot.com/2011/05/performance-appraisal-of-employees.html

http://studyvalue.com/_management_sciences/_hrm/limitations_of_performance_appraisal_36.html

http://www.ehow.com/about_5257134_definition-performance-review.html

http://www.iod.com/intershoproot/eCS/Store/en/pdfs/hr10perf.pdf

http://www.managementstudyguide.com/performance-appraisal.htm

http://www.sagepub.com/upm-data/45674_8.pdf

http://www.va.gov/LMR/docs/Training/12_PG_Performance_Appraisal_FINAL.pdf

Unit 8: Compensation and Rewards

CONTENTS

Objectives

Introduction

Objectives

After studying this unit, you will be able to:

- Discuss the concept of Compensation and Benefits

- Describe the components of Compensation

- Explain the Compensation and Non-compensation Dimensions

- Discuss the Reward Management

- Describe the Method of Reward System

Introduction

In the previous unit, we dealt with concept, methods process and evaluation of performance appraisal. Compensation and Rewards play an important part in motivating employees and improving performance. A carefully designed reward system can greatly enhance an organization's effectiveness and productivity. Today, complex reward systems are needed to meet the demands of a more diverse workforce. These systems differ both within and between organizations. At the end of this unit, you should be able to understand the concept, components, dimensions of compensation along with the concept and method of reward system.

8.1 Concept of Compensation and Benefits

The term "compensation" means financial payments such as wages and salary paid to employees. Compensation also includes bonus and incentive payments, raises and company stock awarded to employees. Compensation specialists often have knowledge of both compensation and employee benefits. This is one reason why human resources departments sometimes combine compensation and benefits into one departmental function.

Compensation is the outcomes (rewards) employees receive in exchange for their work, or pay is an exchange between the individual or group and the employer.

From a manager's perspective, the compensation package offered a firm's employees is important not only because it costs money, but because it's likely to be the primary reason the employees work for the firm. Compensation packages with good pay and benefits can help attract and retain the best employees. A quick survey of employees about compensation is likely to reveal an expectation that wages cover basic living expenses, keep up with inflation, leave some money for savings (perhaps for retirement) and leisure, increase over time, and are fair.

A firm's compensation scheme also communicates a great deal about the firm's values and cultures. Employees are more likely to look at what a company pays rather than what it says. In many respects, people behave as they are rewarded. Insofar as this is true, a compensation scheme communicates to the employees what the firm's expectations are of them. Therefore, for example, if quality is an important value, it should be reinforced through some element of the total compensation system.

Workers compensation is an arrangement made for the benefit of the workforce where employers are required by law to shoulder some of the cost of their employees' occupation-related injuries, disabilities or life-threatening illnesses acquired in the course of their work. It is remuneration given to recently injured or unemployed employees or if the workers themselves are unable to receive and benefit from the payment, their dependents. 'Compensation' may also mean the payment for services rendered or material objects provided and produced on demand. Employees today are not willing to work only for the cash alone, they expect 'extra'. This extra is known as employee benefits. Also known as fringe benefits, employee benefits are non-financial form of compensation offered in addition to cash salary to enrich workers' lives.

Compensation is a tool used by management for a variety of purposes to further the existence of the company. Compensation may be adjusted according the business needs, goals, and available resources.

Compensation may be used to:

● recruit and retain qualified employees.

● increase or maintain morale/satisfaction.

- reward and encourage peak performance.

- achieve internal and external equity.

- reduce turnover and encourage company loyalty.

- modify (through negotiations) practices of unions.

Recruitment and retention of qualified employees is a common goal shared by many employers. To some extent, the availability and cost of qualified applicants for open positions is determined by market factors beyond the control of the employer. While an employer may set compensation levels for new hires and advertize those salary ranges, it does so in the context of other employers seeking to hire from the same applicant pool. Morale and job satisfaction are affected by compensation. Often there is a balance (equity) that must be reached between the monetary value the employer is willing to pay and the sentiments of worth felt be the employee. In an attempt to save money, employers may opt to freeze salaries or salary levels at the expense of satisfaction and morale. Conversely, an employer wishing to reduce employee turnover may seek to increase salaries and salary levels. Compensation may also be used as a reward for exceptional job performance. Examples of such plans include: bonuses, commissions, stock, and profit sharing, gain sharing.

8.1.1 Importance of Compensation in the Workplace

A fair compensation system is a must for every business organization. The fair compensation system will help in the following:

1. An ideal compensation system will have positive impact on the efficiency and results produced by employees. It will encourage the employees to perform better and achieve the standards fixed.

2. It will enhance the process of job evaluation. It will also help in setting up an ideal job evaluation and the set standards would be more realistic and achievable.

3. Such a system should be well defined and uniform. It will be apply to all the levels of the organization as a general system.

4. The system should be simple and flexible so that every employee would be able to compute his own compensation receivable.

5. It should be easy to implement, should not result in exploitation of workers.

6. It will raise the morale, efficiency and cooperation among the workers. It, being just and fair would provide satisfaction to the workers.

7. Such system would help management in complying with the various labour acts.

8. Such system should also solve disputes between the employee union and management.

9. The system should follow the management principle of equal pay.

10. It should motivate and encouragement those who perform better and should provide opportunities for those who wish to excel.

11. Sound Compensation/Reward System brings peace in the relationship of employer and employees.

12. It aims at creating a healthy competition among them and encourages employees to work hard and efficiently.

13. The system provides growth and advancement opportunities to the deserving employees.

14. The perfect compensation system provides platform for happy and satisfied workforce. This minimizes the labour turnover. The organization enjoys the stability.

15. The organization is able to retain the best talent by providing them adequate compensation thereby stopping them from switching over to another job.

16. The business organization can think of expansion and growth if it has the support of skillful, talented and happy workforce.

17. The sound compensation system is hallmark of organization's success and prosperity. The success and stability of organization is measured with pay-package it provides to its employees.

8.1.2 Different Types of Compensation Benefits

There are two different types of compensation: direct and indirect. Compensation is the combination of monetary and other benefits provided to an employee in return for his or her time and skill. The compensation management field provides management with the ideal combination of the different remuneration types, with the goal of retaining and motivating good employees.

1. *Direct Compensation:* Direct compensation is typically made up of salary payments and health benefits. The creation of salary ranges and pay scales for different positions within the company are the central responsibility of compensation management staff. The evaluation of the employee and employer portions of benefit costs is an important part of a payment package.

Notes Effective compensation plans are routinely compared with other firms in the same industry or against published benchmarks. Although some jobs are unique within a specific firm, the vast majority of positions can be compared to similar jobs in other firms or industries. Direct compensation that is in line with industry standards provides employees with the assurance that they are getting paid fairly. This process helps the employer avoid the costly loss of trained staff to a competitor.

---

2. *Indirect Compensation:* Indirect compensation focuses on the personal motivations of each person to work. Although salary is important, people are most productive in jobs where they share the company's values and priorities. These benefits can include things like free staff development courses, subsidized day care, the opportunity for promotion or transfer within the company, public recognition, the ability to effect change in the workplace, and service to others.

   Thus, an effective package has a combination of direct and indirect compensation. Compensation management programs often include a salary range for each position, with incremental increases and annual reviews. During these review sessions, both types of compensation are addressed and presented to the employee as part of the total package. Regular evaluation of the total compensation program and continual modifications is necessary to meet the changing needs of employees. Many firms invest time and resources to ensure that all employees are aware of all of the types of benefits that are available. This encourages employees to provide valuable feedback on the types of programs that are most important to them. Human resources departments are responsible for the creation and management of the compensation program. A compensation management professional usually has a degree in human resources and skills with data management, statistics, and

report creation. Creative benefits packages must be in keeping with the company's vision and identify to be effective.

8.1.3 What is a Compensable Factor?

A compensable factor is any job element that is considered essential to properly evaluating the amount of pay that should be rendered as part of employment. The range of factors that may be used to set wage and pay rates will vary, with some being unique to the task of evaluating hourly wages, others to setting salaries, and still others for work that is compensated on a task by task basis. Along with the actual units produced by the work effort, a compensable factor can also be a job element such as the skill set of the employee, the efficiency of the employee, and even the conditions under which the employee must labour in order to produce the desired results.

With the setting of an hourly wage, a compensable factor that usually has some impact on the rate of compensation is the complexity of the tasks that the employee performs as part of his or her employment duties. Tasks that are classed as calling for unskilled labour, or that are highly repetitious in nature may come with a lower rate of pay. To some degree, the efficiency of the employee in carrying out those tasks may result in some increase in compensation, such as a merit raise or a raise based on the longevity of the person's employment with the company. While these considerations will have some influence on the wages earned, the type of work involved will usually provide the crucial compensable factor for assembly line work and similar types of jobs.

When it comes to salaried positions, a compensable factor of great importance is usually the skill set that the employee brings to the workplace. A combination of formal education and experience will often result in receiving a higher salary as well as additional benefits in the overall compensation package. This is particularly true if the past experience of the employee includes a number of successes in the business world, since, this creates a perception that those successes can be replicated to the advantage of the new employer.

Even employment that is based on piece work will require the consideration of a compensable factor or two. With this application, the focus is often on how quickly the employee can turn out finished units that are of acceptable quality. For example, an employee who is able to produce ten units per production hour versus one who can produce seven will likely be considered more valuable to the operation, since, more finished units means more opportunity to make sales and generate profit. Typically, companies offering piece work will consider speed to be a compensable factor that influences the pay offered per finished unit, setting that rate of pay at a point that is considered equitable by the employee while still allowing the employer to realize a decent level of profit from each unit sold.

8.1.4 Roles and Responsibilities in Compensation and Benefits

The compensation and benefits processes introduce the transparency into Human Resources and rewarding employees for the achieved performance. The compensation and benefits provides the managers with the compensation tools to build a difference among employees as the high performance corporate culture can be built in the organization.

The compensation and benefits department monitors the external job market and optimizes the personnel expenses budget of the organization. The compensation and benefits defines the compensation strategy, sets the transparent and simple compensation policy and defines the general rules for the extraordinary payments, bonus schemes applied in the organization and introduces general other compensation policies like the relocation policy, short-term assignment policies, benefit car policies and other.

The compensation and benefits department is usually responsible for the transparency in the compensation practices in the organization and keeping the internal fairness of the total cash. The compensation and benefits has to supervise the development of new compensation components and keeping the general rules for the design of the compensation component.

The compensation and benefits department is responsible for the personnel expenses budget of the organization. The compensation and benefits department sets the standards for the individual salary increase, the mass salary review and the rules for the bonus payout as the organization keeps the financial stability and the planned personnel expenses budget is kept.

The compensation and benefits department has special processes to monitor the external job market as it can set the right compensation policy, which is compliant with the approved compensation strategy. The compensation and benefits department is responsible for the extensive monitoring of the market and designing the new compensation components inspired by the HR Best Practices in the compensation area.

The compensation and benefits department is always closely attached to the development of the new compensation components, which support the performance and effectivity of the organization. It co-operates with the different business units and it aligns their requests into the general rules for the compensation components, which are transparent and fair.

The compensation and benefits designs new adjustments to the compensation strategy and the compensation policy as the organization does not lose its competitive advantage on the job market.

8.1.5 3-P Concept in Compensation Management

The concept of paying for the 3-P's, consists of three parameters that are considered by the management of any organisation while deciding the salary as well as the incentives of employees. It is to pay for the position, the person and the performance.

1. *Pay for Position:* With respect to pay for position, the crucial point of the policy of compensation is interpreted into the grade width. The grade width is the extent to which the various sizes are integrated within the same grade and thus, result in the reduction that lays emphasis on position.

   Therefore, some factors such as individual's competencies or skills or person's achievement of goals laid greater impact on the total pay level instead of the grade level. A width of the grade not only identifies the importance of position to pay but also used to distinguish the importance of the different level of the firms and to arrange them in hierarchy.

2. *Pay for Person:* In this approach, the second element of P is the "Person" which is regarded as one of the most subjective and essential part of the compensation management. It determines person's experience and competencies which is both competitive and equitable in setting a salary structure. It is associated with the "competency based pay" and incorporates the approach of "market based pay."

   The very first stage in this approach is to determine the requirements of the position, which includes experience and competencies which the organisation required in the person for a particular position. Thus, the firm must look for such a procedure which assesses people and position within the structure of the organisation's value, philosophy, identity and image against the same competency.

   The key player between pay for person and pay for positions is the reference salary. This salary depends on the market competitive pay for the person who fulfils the needs of the position for experience and competency. The P concept of who gets what is given in Table 8.1.

	Position/Person Ratio	Pay for Person	Titling	Training	Development
Maximum	The person demonstrates unique capabilities for the selected criteria.	Pay slightly above the reference salary until promotion	Senior title (for example, senior engineer).	Enrich & broaden the scope capabilities.	Explore promotion options.
Meets Requirement	The person demonstrates the necessary level of competency for the selected criteria.	Pay at or near reference salary Pay below Reference salary but, increasingly closer. Based on position/ person Ratio.	Generic title (for example, engineer).	Focus on new training. Develop capabilities upto position requirements.	Guide into new development plans. Identify hidden talents and potential.
Minimum	The person demonstrates a need to improve in some or all selected criteria.	Pay at lower end of person pay range.		Train in areas that are far below position requirements.	

Table 8.1: P Concept – Who gets What

Source: Compensation and Reward Management, 1st Edition, B D Singh, Excel Books, 2007

In the present day market scenario, it is the skills and the talents that matters the most. Companies are paying the least attention towards the sky-rocketing remunerations of the deserving employees.

Example: IIM graduates drawing huge packages and breaking their own records year after year is perhaps the biggest example of this.

3. *Pay for Performance:* The 3rd P of compensation management is pay for performance. The 3-P compensation management does not only give importance to performance of an individual in either setting of salary or providing increase in salary. It is based on the logic that since performance is variable and it fluctuates from year to year, the performance pay similarly is flexible and must fluctuate on similar patterns. In such an innovative form, the performance of an individual is managed through performance contract which consists of role clarification, objective setting and performance review. As a result of this contract of performance, the performance measurement at individual and corporate level becomes the basis for setting performance pay.

The purpose of pay for performance is to define the short and long-term incentive schemes and efficient rewarding of the employee's contribution to its immediate and long-term results. An efficient scheme is one which is agreed-upon by all, is challenging, and is based on reasonable targets. It motivates the employee by relating targets to huge rewards, and which clearly and openly recognises the employee's contribution.

8.1.6 Methods of Payment

You must remember that a payment system refers to the criteria which determine the worth of a job produced, the time taken to produce it or the quantity produced in a specified time which means how the wages are earned, what rewards to be paid and when it is to be paid. There is a distinct attempt in the payment system, which seeks to compensate an employee for different types of contribution.

Now, you will be able to understand the payment methods with the help of the following figure:

Figure 8.1: Types of Compensation Systems
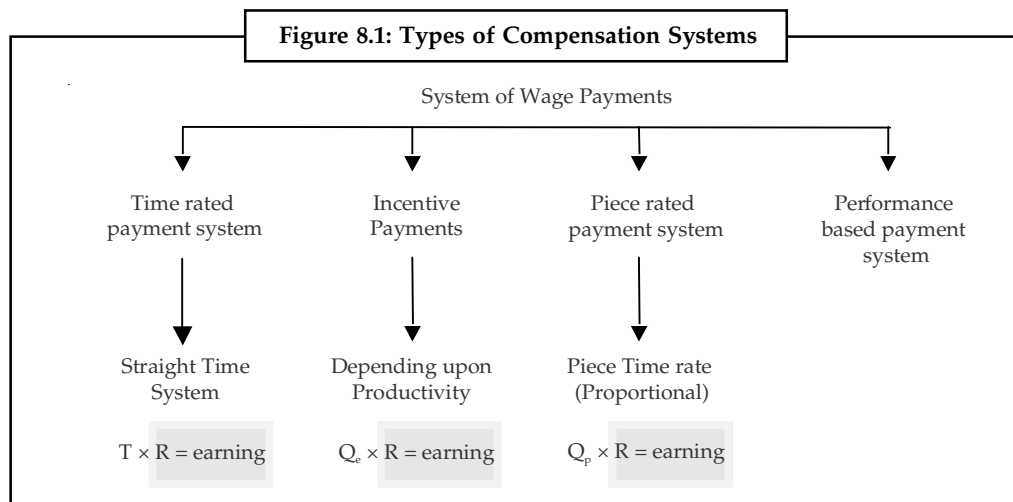
Source: Compensation Management, 1st Edition, Er Soni Shyam Singh, Excel Books

where,

T = Time (daily, weekly, monthly)

R = Standard Rate

Q_e = Extra Quantity produced

Q_p = Quantity produced in given system

Now, let's study the four types of payment systems which are listed as below:

(a) *Time rated payment system:* It is the most profitable, convenient and simple payment system where the output per worker is not measurable. In this system, the employees are paid according to the work done during a certain period of time, i.e., a day, a week, or a month. Under this system, the basic rate for pay is fixed through negotiation, by reference to the local market, the competency of employee and the job evaluation method. The minimum wage rates, the need based wage rate, fair wage or living wage fixed by government and/or collective bargain are on time based principles. Thus, Time Rated Pay System is calculated with the help of straight time system where earnings are calculated with the help of time and standard rate. The equation is given below:

$$T \times R = \text{Earning}$$

(b) *Piece rated payment system:* This is a highly motivating system for employees for earning more based on the quantitative production as well as for improving their productivity. It is based on the output of a worker where payment is paid to the employee as per the output given in an existing work environment, the expected quality standards and

machinery condition. This system is effective where there is a proper inventory of raw material, set quality norms, uniform working conditions and consistent supporting services. Thus, Piece Rated Pay System is calculated with the help of Piece time rate where earnings are calculated with the help of Quantity produced in given system and standard rate. The equation is given below:

$$Q_p \times R = \text{Earning}$$

(c) *Incentive payments system:* This payment system is also known as payments by result system as it provides the opportunity to earn more on showing additional results than normal and thus enhancing the productivity. Here, the workers are rewarded financially for their increased rate of output which provides motivation to them to produce more. The most common incentive system is piecework which is effective where the product specifications do not change frequently and the output is accurately measurable in homogeneous units. In Incentive Payments System, the earnings are calculated with the help of extra or additional quantity produced and standard rate. The equation is given below:

$$Q_e \times R = \text{Earning}$$

Example: Bonus plans represent another type of incentive payment system which represents the degree to which increased production will be rewarded is pre-decided and only after passing that limit one becomes eligible to get that inventive.

(d) *Performance based payment system:* This payment system refers to the increased payment to a group or an individual so as to increase the performance in a given work or task. Here in order to improve the efficiency, the payment structure is designed to award the incentives such as what level of knowledge, skill and motivation will earn how much on producing extra.

8.1.7 Limitations of Job-related Compensation

You will be able to find various drawbacks which are associated with the job related compensation system which are as follows:

1. Technological revolution and globalisation of business has forced the organisations to tear down hierarchies, do away with functional specialisations and organise all activities according to the entire business processes that cut across traditional departments and functions.

2. New developments have replaced the job by a role that has much vague boundaries and require much greater depth and breadth of skills and abilities.

3. It is becoming difficult to identify the precise boundaries of the job, an employee is assigned. What can be identified is the role he is likely to play in the pursuit of strategic objectives of the team he is assigned to and what he can personally do and his contribution to the business process then becomes a measure of his value to the organisation.

4. Since jobs are disappearing in the work place, the traditional approach to compensation is becoming irrelevant and in a way dysfunctional.

5. The more an organisation moves towards flattening of hierarchies, process orientation and customer focus, the more will be the irrelevance of the traditional system as an instrument of motivation.

Task Critically analyse the compensation management system practiced in your organisation. Identify its strengths and weaknesses.

Caselet ## SAS India Pvt. Ltd.

SAS India Pvt. Ltd. is a well-known major software company in India. The company makes statistical analysis software. The company is growing rapidly from 1900 employees five years ago to the existing 5400 employees.

At its headquarters, in Mumbai, there is a 36,000 square-foot gym for employees. In addition to a well-planned basic salary, allowances, stock options and benefits there is a full-length basketball court, pool tables, a private sky-lighted yoga room and workout areas, which form part of their compensation package. Outside, there are soccer and cricket fields. Massages are available several times a week and classes are offered in dance and tennis.

The company also operates the largest day-care facility in India. To encourage families to eat lunch together, the SAS cafeteria supplies baby seats and high chairs. To encourage families to eat dinner together, the company has a seven-hour workday, five days a week. Unlike many work-obsessive software firms, most SAS employees leave the office by 5:00 PM. Management likes to call its work place culture "relaxed".

Is this any way to run a business? Management thinks so. SAS's strategy is to make it impossible for people not to do their work. Even though the company provides no stock option plans and salaries no better than the competitors do, the company has built an unbelievably loyal workforce.

Whereas competitors typically have turnover rates above 30 percent, SAS's rate has never been higher than 5 percent. Management claims that it saves ₹ 75 lakhs a year just in employee replacement-related costs such as recruitment, interviews, moving costs for new hires and lost work time.

Source: www.sas.com

Self Assessment

State whether the following statements are true or false:

1. A firm's compensation scheme communicates a great deal about the firm's values and cultures.

2. A fair compensation system is not must for every business organization.

3. Direct compensation focuses on the personal motivations of each person to work.

8.2 Components of Compensation

The compensation policy defines several compensation components, which provide the security for the employees (usually by providing the employees with the base salary) and driving the performance, which is important for the organization (usually by giving employees to improve

their personal income by receiving the bonuses and incentives). Compensation has become a far more complicated issue than just deciding how much to pay your employees. Employees also have greater expectations of what should be included in their compensation packages, and they may demand specific benefits. Costly or not, building a fair and attractive compensation packages is critical for attracting and retaining employees. The good definition of the compensation components is essential basis for the successful compensation policy and for the motivation and confidence of employees in the organization. The organization without a good definition is driven by the external environment and the employees and managers are dissatisfied as they argue by the external world and they do not focus on the compensation policy inside the organization. When setting up your compensation package, we need to consider the following components:

1. *Salary and wages:* This is usually the single largest component of a compensation package and, not surprisingly, the most common point of comparison used by employees and potential employees. Here usually the payment, which is agreed between the organization and the employee with no attachment to the individual or company performance. Salary should be tied to a person's skills and experience. Subsequent increases need to be based on an employee's performance, value and contribution to an organization.

2. *Basic Pay:* The primary part of pay package is basic pay. For blue-collar workers basic wage may be based on work done (price wage system) but for whit-collar employees, supervisory staff and managers, basic salary is generally time bound. Basic pay is generally determined through job evaluation which is the process of systematically ascertaining the relative worth of a job.

3. *Variable Pay:* There are many companies that have introduced the concept of variable pay where this particular component of the compensation is not fixed, but is a percentage of the Basic that is paid out according to the performance of the company, group and the individual. Hence, the term "performance linked pay" is also used for variable pay.

Did u know? If we take the three sub-components of the Variable Pay

(a) The company performance linked pay is as the term implies paid out as a percentage of the Basic that is tied to the performance of the company as a whole. So, if a company performs exceedingly well in the given quarter, then the employee might get a large percentage (say 100% or 150%) of the base of the component. If a company does do not well or does only moderately better, then the employee might get a lower percentage of the base (say 50% or 75%).

(b) The group performance linked pay is paid out in a similar manner but the point of reference in this case is the performance of the group or the division in which the employee works.

(c) Finally, the most important sub-component is the Individual Performance Linked Pay that is paid out according to the performance of the employee and hence is entirely tied to the way in which the employee performs as determined by the rating that he or she gets at the end of the performance cycle.

4. *Salary Surveys:* Collections of salary and market data may include average salaries, inflation indicators, cost of living indicators, salary budget averages. Companies may purchase results of surveys conducted by survey vendors or may conduct their own salary surveys. When purchasing the results of salary surveys conducted by other vendors, note that surveys may be conducted within a specific industry or across industries as well as within one geographical region or across different geographical regions. Know which

industry or geographic location the salary results pertain to before comparing the results to your company.

5. *Bonuses:* Employee bonuses, which are usually paid in a single lump at the end of the year, are one way of providing performance incentives. Here performance driven variable pay, which depends on the performance of the organization and the individual results of the employee

6. *Long-term incentives:* Stock options or stock grants not only provide long-term incentives to employees, but they can also help retain valuable team members. Here performance has driven variable pay, which depends just on the performance of the individual employee and has no relationship with the results of other employees and the organization. Incentive compensation is performance-linked remuneration paid with a view to inspire employees to work hard and do better. Both individual incentives and group incentives are used. Bonus, profit-sharing, commissions on sales are some examples of incentive compensation.

7. *Allowances:* Several allowances are paid in addition to basic pay. Some of these allowances are given below:

    (a) *Dearness Allowance (DA):* This allowance is given to protect real income against inflation. Generally, dearness allowance (DA) is paid as a percentage of basic pay.

    (b) *House Rent Allowance (HRA)*: Employers who do not provide living accommodation pay house rent allowance to employees. This allowance is calculated as a percentage of basic pay (30 per cent of basic pay in case of government employees).

    (c) *City Compensatory Allowance (CCA)*: This allowance is paid generally to employees in metros and other big cities where cost of living is comparatively high. City Allowance is generally a foxed amount per month.

    (d) *Transport Allowance/Conveyance Allowance*: Some employers pay Transport Allowance (TA) to their employees. A fixed sum is paid every month to cover a part of traveling charges.

    In some cases, medical allowance, education allowance for children, tiffin allowance, etc. are also paid.

8. *Health insurance:* Employer-sponsored health insurance is fairly standard among medium-size companies. And it's a benefit that has great value to employees.

9. *Retirement plans:* 401(k) plans have become popular because they are relatively easy to administer and are less expensive than traditional pension plans. Many employees like these plans because they maintain some control over the amount of their contribution and how the money is invested.

10. *Time off and flexible schedules:* This includes holidays, vacations, sick days and personal days. An employer unable to offer competitive salaries may close part of the gap by offering more time off or flexible work hours.

11. *Fringe Benefits/Perquisites:* Several types of benefits are paid particularly to senior managers. Provident funds, pensions, gratuity, encashment of earned leave, company house, company car, Leave Travel Concession (LTC), medical aid, interest free loan, holiday homes, entertainment, stock options, etc. are examples of such benefits.

12. *Miscellaneous compensation:* Other forms of compensation to consider include employee assistance programs, which can provide everything from psychological counseling to legal assistance, discounts on company products, use of a company cars, etc.

Did u know? The insurance sector in India is providing the highest pay packages followed by Banking and IT sectors. In the year 2006, professional and technical skill oriented jobs provided a higher salary than senior management.

The main compensation components usually define the total cash of the employee. Total cash is the total sum of money received by the employee with the relation with the period; it is usually measured by the calendar year. The rationale for these components is that an employee would be better motivated to perform individually, contribute to the group to which he or she belongs and finally, perform well keeping in view the overall growth of the company. Hence, these sub components of compensation have been designed to spur the employee to excel not only in an individual capacity but as a team member and finally, a responsible employee of the company. The idea here is to discourage silo based performance and instead concentrate on all round performance.

Self Assessment

Fill in the blanks:

4.   The primary part of pay package is …………………… pay.

5.   …………………… not only provide long-term incentives to employees, but they can also help retain valuable team members.

6.   Employer-sponsored …………………… insurance is fairly standard among medium-size companies.

8.3 Compensation and Non-compensation Dimensions

Organisations design out the employee compensation packages based on some dimensions for its different employment units. These are explained below:

8.3.1 Compensation Dimensions

The compensation dimensions are described briefly as follows:

1.   *Pay for work and performance:* This includes short-term monetary payments made on weekly, monthly and annual periods in form of awards or bonuses to allow employees to make payment for their desired product and services.

2.   *Pay for time not worked:* It has been observed from past experience that the number of days worked per year and the number of hours worked per week have decreased.

Caution For past 40 years, the workers have taken the advantage of with-pay leaves, paid for time-off for personal reasons and for longer vacations, etc.

3.   *Disability income continuation:* An employee becomes unable to perform his normal duties when he incurs some health or accident disabilities. Medical, surgical and hospital bills creates an additional burden for him in addition to his ongoing self and family expenditure.

Example: Social security, sick leave, workmen compensation, etc. are example of the benefits that can help an employee in such situations.

4. *Deferred income:* Different types of programmes, like savings plans, social security, employer-provided pension plans, annuities, and supplemental income plans provide after retirement income to the employee. These are considered lucrative by them because of tax benefits like immediate tax deduction and deferment of tax obligation, etc. and help employees to earn tax-free interest.

Example: Stock purchase, option, and grant plans are components commonly used to achieve estate building, tax-deduction and deferral goals.

5. *Spouse (family) income continuation:* In compensation, there are some plans, which are designed to provide the dependents of the employee with income source in case of his death or permanent disability to work.

Example: Life Insurance plans, social security, pension plans, workers' compensation, and other related plans provide income to the families of employees in such situations.

6. *Health, accident, and liability protection:* At the time of health problems, employee's main focus is not only concerned with income continuation but also associated with payments for medicinal treatments to overcome disability or illness. This is provided to them in the form of different insurance plans.

Example: Statistics show that in comparison to any other type of product or services the demand for health related product and services have highly increased.

7. *Income equivalent payments:* In addition to basic pay and allowances, the employees are provided with some additional benefits. These benefits are attached to their designation either in form of monetary or non-monetary incentives. This is usually referred to as perquisites or simply perks. Some perks are tax-free, in hands of employees and tax-deductible for employers.

8. *Organisations develop compensation policy:* The compensation system centres on sound principles of compensation administration.

Notes **Non-monetary Compensation**

Non-monetary compensation can equal 20-60% of the value of the cash compensation that an employee receives. For the current job seeker, starting salaries have barely increased, frozen or actually dropped. So, finding non-monetary benefits in an offer can be essential when an employee evaluates it. These added perks can sweeten (and seal) the deal. Beyond the employee getting material value from their benefits, there are non-material perks, as well. Companies who offer benefits, such as a rich retirement plan, send a message that they value their employees and want to promote long-term relationships with their employees. These employers are becoming more and more sought after.

There are a host of benefits that companies can offer to attract and retain top talent:

1. Flex-time schedules

2. On-site child care

3. Free or discounted parking

Contd...

---

4. Free or discounted food and drinks

5. Gym membership discounts

6. In-office massage or yoga

7. Casual Fridays

8. Mentoring programs for career advancement

9. Free or discounted educational and training opportunities

10. Work opportunities in multiple locations

11. Cross-training in other areas of the business

12. Annual or quarterly company parties

8.3.2 Non-compensation Dimensions

Non-financial compensation rewards can be defined as situation-related rewards though very important but not included in the compensation package. These are explained as below:

1. *Enhance dignity and satisfaction from work performed:* Recognition of an employee as valuable and useful contribution can be considered as one of the most powerful and least costly rewards. It motivates the feeling of self-worth and pride among employees in making contribution to the organisational success.

2. *Enhance physiological health, intellectual growth, and emotional maturity:* The organisation at time of designing its compensation policy must also consider the modern health practices. This recognises the direct relationship linking the physiological health and emotional and intellectual well-being of every individual employee.

3. *Promote constructive social relationships with co-workers:* In today's world of extensive specialisation, the dependency of people has increased on one another. The opportunity to interact with other individuals in a socially productive manner to enjoy workplace association can be considered as one of the most valuable rewards gained from working.

4. *Design jobs that require adequate attention and effort:* Workers over past forty years, through their job designs, were taught how to perform quickly few highly repetitive tasks. The workers were made to perform these jobs for long for the time when they remained on job. Such an action, which initially appeared to be an effective way of melding workforce, turned to give serious drawbacks. Therefore, the firm must design the jobs in such a manner that it grabs adequate attention and efforts from workers.

5. *Allocate sufficient resources to perform work assignments:* An organisation opens doors for problems when it forces employees to perform those assignments for which they possess neither skills nor knowledge. Most of the employees seek a sense of achievement from their work. They are motivated by the degree of challenge to help them feel that they can succeed in handling such new assignments, so the organisation must provide them with adequate resources.

6. *Grant sufficient control over the jobs to meet personal demands:* Behavioural scientists over fifty years have felt the need for granting employees a greater opportunity to participate in the decision making process of organisation. The basic reason being that there are some employees in the organisation who rather being told what to do and what acceptable levels of performance to achieve, guide the top management on how to manage the organisation and its assignments more effectively.

7. *Offer supportive leadership and management:* This is considered as a dimension, which is almost difficult to separate from all other non-compensation ones. However, such a dimension is so important that it must be recognised as a unique dimension of the non-compensation rewards.

Task Do you think only non-compensation dimensions are of any use? Explain stating examples.

Self Assessment

State whether the following statements are true or false:

7. The compensation system centres on sound principles of compensation administration.

8. Pay for time not worked includes short-term monetary payments made on weekly, monthly and annual periods.

9. The organisation at time of designing its compensation policy must also consider the modern health practices.

8.4 Reward Management

Reward system usually means the financial reward on organization gives its employees in return for their labour. The term rewards system, not only includes material rewards, but also non-material rewards. The components of a reward system consist of financial rewards (basic and performance pay) and employee benefits, which together comprise total remuneration. They also include non-financial rewards (holiday trips, moving to large office, recognition, promotion, praise, achievement responsibility and personal growth) and in many case a system of performance management. Pay arrangements are central to the cultural initiative as they are the most tangible expression of the working relationship between employer and employee. Many papers examine the role of organizational culture that is, the demand for monitoring compensation. Such investigations conclude that organizational culture places a significant role in determining the level of economic demands. Recent researches on industrial unrest indicate that reward criteria of the organisations both financial and non-financial rewards have tremendous influence upon the employees and employers performance.

Reward is a broad construct that can include 'anything an employee may value and desire that an employer is able or willing to offer in exchange for employee contribution'. A conceptual distinction can be made between the three main constituents of reward—type, system, and criterion. Reward type refers to the nature of the reward itself (e.g., financial and non-financial; extrinsic and intrinsic). Financial rewards include direct (e.g., basic salary) and indirect (i.e., benefits and services) as well as incentive (e.g., variable pay) and non-incentive (e.g., fixed pay) categories. Non-financial rewards, on the other hand, do not benefit employees in a monetary sense and consist of both extrinsic and intrinsic rewards. Extrinsic non-financial rewards are tangible rewards attached to the job and are given and controlled by a firm.

Example: Employment security, promotion, status, relationships, and work conditions. By contrast, intrinsic rewards accrue from performing the task itself and are self-reinforcing. Job challenge, variety, and sense of achievement are good examples of this category.

Notes

Reward system represents the method or mechanism (e.g., seniority-based, performance-based) by which organizations determine employee reward outcomes (e.g., pay increases). Systems can be either performance or non-performance oriented. Where performance-oriented reward systems compensate employees based on how well they perform on the job, non-performance systems compensate employees based on a different set of criteria, such as seniority/years of service, and skills/competencies. Reward criterion then, refers to the basis of allocation (i.e., individual or group) used to determine the reward.

8.4.1 Aims of Reward Management

The aims of reward management are to reward people according to what the organization values and wants to pay for, to reward people for the value they create, to reward the right things to express the right message about what is important in terms of behaviours' and outcomes, to develop a performance culture, to motivate people and obtain their commitment and engagement, to help attracting/retaining the talented people the organization requires, to create a total reward process which identifies the value of both financial and nonfinancial rewards, to develop a positive employment relationship and psychological contract, to link the reward practices with both business goals and employee values, to operate in ways that are fair, equitable, consistent and transparent. The most important aim is to align company goals with employee goals. There are various aims of reward management when practiced by managers within organizations. Some of them are as follows:

1. Create total reward processes. The rewards in this case are grounded on beliefs about the values and aspirations of the organization.

2. Reward employees for the value that they add to the company. What this means is that the persons are rewarded in accordance with the amount of value that they put into the organization. The higher the value, the higher the amount of reward.

3. Alignment of rewards with the aspirations of the business and the values that are held dear by the employee.

4. Another aim of the reward management system is to reward the right outcomes (Lloyd 2008). This will purvey the message to the rest of the employees as to the expected and valued behaviours and outcomes within the organization.

5. Perhaps the most important facet of the reward management is the attraction, retention and satisfaction of the most qualified professionals in the field.

6. Motivating employees so that they can be committed and engaged in their job.

8.4.2 Why Reward System is Required?

Reward system has got its significance as it can take different shapes and forms. In today's world the lion's share of corporate value comes from the organization's human resource, their ideas, skills and high quality performance. So it is the responsibility of a company to find out what is important for the employees and thus aligning company goals and employee goals. The development of reward system had an enormous impact on the success of a company and will affect each workers performance positively. Reward system is mainly required to fulfill the aims and goals of an organization.

- Reward system improves organizational effectiveness; it helps to attain organizations goals and strategies and to maintain competitive advantage.

- Achieve integration – reward system helps to remain as an integrated part of the management process of the organization.

- Motivate employees – reward system helps to motivate employees to achieve high quality performance.

- Compete in the labour market – It helps to attract and retain highly skilled workers.

- Increased commitment – helps to boost the commitment of employees towards the organization by creating a strong belief in and accepting the goals of the organization, making employees to put maximum effort for the successful completion of job and also to retain the members of the organization.

- Fairness and equity – employees should be rewarded according to their contribution and effort to the organization.

- Improved skills and quality – reward system helps to raise competence, also encourage personal development, and helps to achieve high quality performance.

- Develop team working – improve cooperation and effective team working at all level.

- Manageable and controllable – helps to reduce administrative burdens of the personal department thus becomes easily manageable and controllable so that the policies can be implemented consistently

8.4.3 Challenges Facing Reward Management

It has been realized that reward management strategies, despite their obvious attractive disposition, are not keeping in pace with the changes in the market and business forces. There are some shortcomings, some of which seem to be inbuilt to the strategy while others are seen to be external to it. Some of those shortcomings are as follows:

1. *Preoccupation with Tactics as Opposed to Strategy:* Many of the reward system schemes seem to lack the ability to reach for the large scale strategies. These are the strategies that have the capability of making a difference in the performance of both the employees and the organization in extension. Majority of the reward managers are engrossed with the desire to focus on incremental changes that are visible in variable-pay plans that they have adopted. They are also preoccupied with changes to the performance management system and also the changes that are accrued to the new technology of the system.

2. *Use of Pay as a Blunt Object:* These managers seem to forget that the employees are not only motivated by pay but by a combination of many other facets in their lives. In fact, there has been evidence pointing to the fact that pay is not very crucial in attracting and retaining the best employees for the company. There are other rewarding strategies that the managers seem to ignore. These are for example skill-building opportunities, where the employee feels that his competence, and in extension his worth, is been enhanced. There is also another important facet of motivating and rewarding workers by creating an environment where they feel that the top management is interested in their well-being. This is for example through the opening of the communication channels between the two. When the employees feel that they stand a chance to advance their career, they will be more motivated than when they are assured only of pay.

3. *Insufficient Address of the Human Side of Performance Management:* Managers seem to be preoccupied with the technology side of performance management. This is whereby they are preoccupied with the output of the employee, the amount of work that they complete and the quality of the same. They reward what the employee has done. This is as opposed to the human side of performance management. This is the side that deals with the feedback between the employees and the management. The employees feel motivated when they are of the view that they are able to communicate with the senior managers.

They regard this as one form of their rewards. A one-on-one contact between the employee and the top-notch managers keeps them convinced of the fact that they are still needed in the organization. However, this does not mean that the other facet of reward management, the one dealing with output of the employees, is less important. The point is that there is a need to balance between the two. One should be emphasized at the expense of the other.

Self Assessment

Fill in the blanks:

10. ………………… system usually means the financial reward on organization gives its employees in return for their labour.

11. Increased …………………… helps to boost the commitment of employees towards the organization by creating a strong belief in and accepting the goals of the organization.

12. …………………… is an essential factor which is closely related to job satisfaction and motivation.

8.5 Method of Reward System

Following are the common methods of rewards that can be found in modern business organizations. Although not all these reward methods are used by the same company, the companies can adopt the best reward methods that suit the company culture and other company goals.

Example: Some companies do like to give all the benefits to the employees as financials, while other companies like giving the employees the other benefits such as insurance, better working environment, etc.

1. *Basic Pay:* Pay is an essential factor which is closely related to job satisfaction and motivation. Although pay may not be a reward as this is a static amount which an employee will be paid every month, it will be considered as a reward if similar work is paid less.

2. *Additional Hour's Rewards:* This is similar to that of overtime. However, it is paid to employees if they put in an extra hour of work for working at unsocial hours or for working long hours on top of overtime hours.

3. *Commission:* Many organizations pay commission to sales staff based on the sales that they have generated. The commission is based on the number of successful sales and the total business revenue that they have made. This is a popular method of incentive.

4. *Bonuses:* Bonuses will be paid to employees who meet their targets and objectives. This is aimed at employees to improve their performance and to work harder.

5. *Performance Related Pay:* This is typically paid to employees who have met or exceeded their targets and objectives. This method of reward can be measured at either team or department level.

6. *Profits Related Pay:* Profits related pay is associated with if an organization is incurring a profit situation. If the organization is getting more than the expected profits, then employees receive an addition amount of money that has been defined as a variable component of the salary.

7. *Payment by Results:* This is very similar to that of profit related pay. This reward is based on the number of sales and total revenue generated by the organization.

8. *Piece Rate Reward:* Piece rate reward is directly related to output. The employees get paid on the number of "pieces" that they have produced. These pieces will be closely inspected to make sure that quality standards are being met.

9. *Recognition:* Employees will not always be motivated by monetary value alone. They do require recognition to be motivated and to perform well in their work.

10. *Job Enrichment:* This is a common type of recognition that is aimed at employees to get motivated. Job enrichment allows more challenging tasks to be included in the day-to-day tasks performed by the employee. Working the same way everyday may prove to be monotonous to the employees. Therefore, there will be a lack of interest and the performance drops.

11. *Job Rotation:* Unlike job enrichment, job rotation refers to shifting employees between different functions. This will give them more experience and a sense of achievement.

12. *Teamwork:* Teamwork is also considered as recognition. Creating teamwork between team members will improve performance at work. Social relationships at work are essential for any organization. Healthy social relationships are considered as recognition to the employees. This improves their morale and performance.

13. *Empowerment:* Empowerment refers to when employees are given authority to make certain decisions. This decision making authority is restricted only to the day to day tasks. By giving employees authority and power can lead to wrong decisions to be made which will cost the company.

⚠️

Caution Empowerment will not relate to day to day functioning authority. This will make employees more responsible, vigilant and increase their performance.

14. *Training:* Many organizations place a greater emphasis on training. This is considered as recognition for employees. Training could vary from on the job training to personal development training. Training workshops such as train the trainer or how to become a manager will give employees a chance to switch job roles and this will increase their motivation levels.

15. *Awards:* This again is an important type of recognition that is given to employees who perform better. Organizations have introduced award systems such as best performer of the month etc., and all these will lead employees to perform better.

Thus, there are various strategies that are used to ensure that employees are rewarded by the organization. The strategies put into operation must ensure that the aspirations of the employees, together with what they regard to be valuable, are taken into consideration. This is because the success of the reward management will depend on the feasibility of the strategy that is adopted. In other words, the degree to which the reward management motivates the employees will depend on the effectiveness of the strategy that was adopted.

Self Assessment

State whether the following statements are true or false:

13. The commission is based on the number of successful sales and the total business revenue that they have made.

14. Time rate reward is directly related to output.

15. Teamwork is considered as recognition.

Case Study

Salary Inequities at Acme Manufacturing

Joe Black was trying to figure out what to do about a problem salary situation he had in his plant. Black recently took over as president of Acme Manufacturing. The founder and former president, Bill George, had been president for 35 years. The company was family owned and located in a small eastern Arkansas town. It had approximately 250 employees and was the largest employer in the community. Black was the member of the family that owned Acme, but he had never worked for the company prior to becoming the president. He had an MBA and a law degree, plus five years of management experience with a large manufacturing organisation, where he was senior vice president for human resources before making his move to Acme.

A short time after joining Acme, Black started to notice that there was considerable inequity in the pay structure for salaried employees. A discussion with the human resources director led him to believe that salaried employees pay was very much a matter of individual bargaining with the past president. Hourly paid factory employees were not part of this problem because they were unionised and their wages were set by collective bargaining. An examination of the salaried payroll showed that there were 25 employees, ranging in pay from that of the president to that of the receptionist. A closer examination showed that 14 of the salaried employees were female. Three of these were frontline factory supervisors and one was the human resources director. The other 10 were non management.

This examination also showed that the human resources director appeared to be underpaid, and that the three female supervisors were paid somewhat less than any of the male supervisors. However, there were no similar supervisory jobs in which there were both male and female job incumbents. When asked, the HR director said she thought the female supervisors may have been paid at a lower rate mainly because they were women, and perhaps George, the former president, did not think that women needed as much money because they had working husbands. However, she added she personally thought that they were paid less because they supervised less-skilled employees than did the male supervisors. Black was not sure that this was true.

The company from which Black had moved had a good job evaluation system. Although he was thoroughly familiar with and capable in this compensation tool, Black did not have time to make a job evaluation study at Acme. Therefore, he decided to hire a compensation consultant from a nearby university to help him. Together, they decided that all 25 salaried jobs should be in the same job evaluation cluster, that a modified ranking method of job evaluation should be used, and that the job descriptions recently completed by the HR director were current, accurate, and usable in the study.

The job evaluation showed that the HR director and the three female supervisors were being underpaid relative to comparable male salaried employees. Black was not sure what to do. He knew that if the underpaid female supervisors took the case to the local EEOC office, the company could be found guilty of sex discrimination and then have to pay considerable back wages. He was afraid that if he gave these women an immediate salary increase large enough to bring them up to where they should be, the male supervisors would be upset and the female supervisors might comprehend the total situation and want back pay. The HR director told Black that the female supervisors had never complained about pay differences.

Contd...

The HR director agreed to take a sizable salary increase with no back pay, so this part of the problem was solved. Black believed he had for choices relative to the female supervisors:

1. To do nothing.

2. To gradually increase the female supervisors salaries.

3. To increase their salaries immediately.

To call the three supervisors into his office, discuss the situation with them, and jointly decide what to do.

Questions:

1. What would you do if you were Black?

2. How do you think the company got into a situation like this in the first place?

3. Why would you suggest Black pursue the alternative you suggested?

Source: http://www.chrmglobal.com/Replies/3544/1/Case-study Compensation-and-Reward-Management.html

8.6 Summary

- Compensation and Reward system plays vital role in a business organization.

- Since, among four Ms, i.e. Men, Material, Machine and Money, Men has been most important factor, it is impossible to imagine a business process without Men.

- Every factor contributes to the process of production/business.

- It expects return from the business process such as rent is the return expected by the landlord, capitalist expects interest and organizer i.e. entrepreneur expects profits. Similarly the labour expects wages from the process.

- Reward management can be viewed as a form of management practice where employees are compensated for their performance.

- They are compensated for the value that they add to the organization; the higher the value, the higher the reward.

- Compensation is the outcomes (rewards) employees receive in exchange for their work, or Pay is an exchange between the individual or group and the employer.

- The compensation and benefits department monitors the external job market and optimizes the personnel expenses budget of the organization.

- The concept of paying for the 3-P's, consists of three parameters that are considered by the management of any organisation while deciding the salary as well as the incentives of employees.

- The compensation policy defines several compensation components, which provide the security for the employees (usually by providing the employees with the base salary) and driving the performance, which is important for the organization (usually by giving employees to improve their personal income by receiving the bonuses and incentives).

- Reward system usually means the financial reward on organization gives its employees in return for their labour. The term rewards system, not only includes material rewards, but also non-material rewards.

8.7 Keywords

Additional Hour's Rewards: It is paid to employees if they put in an extra hour of work for working at unsocial hours or for working long hours on top of overtime hours.

Base Pay: It is a fixed salary or wage which comprises of the basic job rate which is fixed. It may differ according to the job grade or for manual workers, the degree of competencies needed for a particular task to be carried on.

Benefits: This includes sick pay, pensions, company car, insurance cover and other perquisites.

Compensation: It includes every kind of financial return and tangible benefits and services which workers receive as part of their employment relationship with employer.

Dearness Allowance: The dearness allowance is a part of the total salary which an employee gets for the outcome of his or her job performance.

Empowerment: Empowerment refers to when employees are given authority to make certain decisions.

Incentive: The additional form of compensation that is directly linked with performance and paid over and above the standard pay.

Job evaluation: It is the process of systematically determining the relative worth of jobs to create a job structure for the organisation.

Payment by Results: This reward is based on the number of sales and total revenue generated by the organization.

Piece Rate Reward: The employees get paid on the number of "pieces" that they have produced.

Profits Related Pay: Profits related pay is associated with if an organization is incurring a profit situation.

Salary: The payment to managers and professionals who generally fit this category, where the pay is calculated at an annual or monthly rate rather than hourly rate.

Variable Pay: Variable pay can be defined as a non-traditional compensation method which is performance-based.

Wage: It is the payment to workers who get either daily or hourly payment.

8.8 Review Questions

1. Define compensation. Highlight the importance of compensation in the workplace.

2. Discuss the different types of compensation benefits.

3. What is a compensable factor?

4. Explain the roles and responsibilities in compensation and benefits.

5. Comment on 3-P concept in compensation management.

6. What are the limitations of job-related compensation?

7. Elucidate the components of compensation.

8. Throw some light on the compensation and non-compensation dimensions.

9. What are the aims of reward management?

10. Why reward system is required?

11. Highlight the challenges facing reward management.

12. Discuss the various method of reward system.

Answers: Self Assessment

1.	True	2.	False
3.	False	4.	Basic
5.	Stock options or stock grants	6.	Health
7.	True	8.	False
9.	True	10.	Reward
11.	Commitment	12.	Pay
13.	True	14.	False
15.	True		

8.9 Further Readings

Books
Aswathappa, K. (2007), "*Human Resource and Personnel Management*, Tata McGraw Hill.

Bhattacharyya, D. K. (2006), *Human Resource Management*, Excel Books.

Mathis, Robert L & Jackson, John H. (2007), *Human Resource Management,* Thomson.

Rao, P. L. (2004), *Comprehensive Human Resource Management*, Excel Books.

Rao, VSP (2005), *Human Resource Management,* Excel Books.

Online links
http://payroll.naukrihub.com/compensation/importance-of-compensation.html

http://www.ehow.com/list_7269470_hr-compensation-issues.html

http://www.hr-guide.com/data/G400.htm

http://www.managebuddy.com/notes/human-resource-management/components-of-compensation/

http://www.managementstudyguide.com/components-of-compensation_part2.htm

http://www.nolo.com/legal-encyclopedia/types-of-workers-compensation-benefits-32962.html

Notes

http://www.oocities.org/wilfratzburg/compensation.html

http://www.ukdissertations.com/dissertations/management/reward-management.php

http://yourhrmguide.com/content/main-compensation-components-overview

Unit 9: Industrial Relations

```
CONTENTS

Objectives

Introduction

9.1    Industrial Relations in India: An Overview

       9.1.1    Objectives of Industrial Relations

       9.1.2    Significance of Industrial Relations

       9.1.3    Factors in Industrial Relations

9.2    Industrial Conflict

       9.2.1    Forms of Industrial Disputes

       9.2.2    Causes of Industrial Disputes

9.3    Industrial Disputes in India

9.4    Industrial Disputes: Preventive Machinery

9.5    Industrial Disputes: Settlement Machinery

9.6    Summary

9.7    Keywords

9.8    Review Questions

9.9    Further Readings
```

Objectives

After studying this unit, you will be able to:

- Discuss an overview of Industrial Relations in India
- Describe the Industrial Conflict
- Explain the Industrial Disputes in India
- Discuss the Industrial Disputes as Preventive Machinery
- Describe the Industrial Disputes as Settlement Machinery

Introduction

In the previous unit, we dealt with the concept, components, dimensions of compensation along with the concept and method of reward system. Traditionally, the term "Industrial relations" is used to cover such aspects of industrial life as collective bargaining, worker's participation in management, discipline and grievance handling, industrial disputes and interpretation of rules, labour laws etc. Thus, IR are often seen as constraints which limit the ability of the organization rather than an opportunity to develop collaborative problem solving relationship. The IR function in majority of the organisations suffers from lack of planning, absence of human relations policies and predominance of short term perspective in resolving labour – management problems.

At the end of this unit, you should be able to understand the concept of Industrial Relations, Industrial Conflict, Industrial Disputes as Preventive and Settlement Machinery.

9.1 Industrial Relations in India: An Overview

The term 'industrial relations' refers to relationships between management and labour or among employees and their organisations that characterise or grow out of employment. Theoretically speaking, there are two parties in the 'employment' relationship – labour and management. Both parties need to work in a spirit of cooperation, adjustment and accommodation. In their own mutual interest, certain rules for co-existence are formed and adhered to. Over the years, the State has also come to play a major role in industrial relations – one, as an initiator of policies and the other, as an employer by setting up an extremely large public sector.

The term 'industrial relations' has been *defined by different authors in different ways. Dale Yoder defined it as, "a relationship between management and employees or among employees and their organisations, that characterise and grow out of employment".*

According to R A Lester, industrial relations, *"involve attempts to have workable solutions between conflicting objectives and values, between incentive and economic security, between discipline and industrial democracy, between authority and freedom and between bargaining and cooperation".*

According to the ILO, *"industrial relations deal with either the relationships between the state and the employers and the workers' organisation or the relation between the occupational organisations themselves".* The ILO uses the expression to denote such matters as "freedom of association and the protection of the right to organise, the application of the principles of the right to organise, and the right of collective bargaining, collective agreements, conciliation and arbitration and machinery for cooperation between the authorities and the occupational organisations at various levels of the economy.

The following points emerge from a close examination of the above definitions:

1. *Employer-employee interactions:* Industrial relations arise out of employer-employee interactions. These relations cannot exist without the basic building blocks, i.e., the employer on one side and the employees on the other side. (Kumar)

2. *Web of rules:* Industrial relations are a 'web of rules' formed by the interaction of the government, the industry and the labour. They include the relations between employer and employees and between employers' associations, trade unions as well as the State.

3. *Multidimensional:* Industrial relations are fairly multi-dimensional in nature as they are influenced, by a complex set of institutional, economic and technological factors.

Industrial Relations is the processes and systems by which relations with employees are managed and includes trade unions, employer associations, labour legislations, collective negotiations and agreements. It refers to all relations that emerge in a workplace and includes relations between individual employees, relations between the employer and the employees, relations between employers. It also includes the relations, the employers and the employees have with the organisations, which promote their respective interests.

9.1.1 Objectives of Industrial Relations

The fundamental objective of industrial relations is to maintain sound relations between employees and employers. The other objectives can be drawn from this objective. They are:

1. To enhance the economic status of the worker;

2. To regulate the production by minimising industrial conflicts through state control;

3. To socialise industries by making the government an employer;

4. To provide an opportunity to the workers to have a say in the management and decision-making;

5. To improve workers' strength with a view to solve their problems through mutual negotiations and consultation with the management;

6. To encourage and develop trade unions in order to improve the workers' collective strength;

7. To avoid industrial conflicts and their consequences; and

8. To extend and maintain industrial democracy.

9.1.2 Significance of Industrial Relations

Good Industrial Relations implies peaceful, harmonious, fruitful relations between labour and management. In such a situation, both labour and management realise their mutual obligations toward each other and resort to actions that promote harmony and understanding the following benefits accrue from such a productive relationship:

1. *Industrial peace:* Unilateral actions disappear; both parties consult each other before initiating any action; they primarily focus on goals that are realisable without overstepping their territories. This leads to peaceful co-existence.

2. *Industrial democracy:* The process of joint consultation paves the way for industrial democracy. This motivates workers to give of their best to the organisation and share the fruits of progress jointly with management.

3. *Improved productivity:* Cordial relations between labour and management ensure uninterrupted production and single-minded pursuit of predetermined goals. It becomes easy to realise even difficult targets in such an atmosphere. The excellent track record of Sundaram Fasteners (A TVS Group company which won the prestigious GM award for the fourth successive year in 1999 as a quality supplier of radiator caps) is worth mentioning here. It is known for zero breakdowns, zero accidents and zero defects. Not a single day has so far been lost due to a strike in the company. It is the first company to get the ISO certification (in 1990). The per-employee productivity is comparable to the best in the world. One study rates the company among the 20 most competitive companies in Asia. (The Week, May 28, 2000). Another group company, Sundaram Clayton received the Deming prize in 1998 – making it the only Indian company that has ever received the award outside Japan. The 45-year-old CEO, Venu Sreenivasan hires every worker for both companies but allows managers to be appointed by his chief operating officers. During 1998-99 he has taken a 10 per cent cut in his salary in order to avoid having to layoff workers.

4. *Benefits to workers:* Cordial labour-management relations ensure higher productivity. The company would be in a position to offer fair economic and non-economic incentives to its employees. This, in turn, would spur people to realise targets and get ahead productively. It becomes easy for management to initiate needed changes quickly, in line with market demands and improve the lot of workers continuously. Sound industrial relations enable a company to take full advantage of technological advancements and pass on some of these benefits to workers as well.

📝 *Example:* While Tata Motors has decided to move its Nano factory out of Singur after violent protests by farmers, this isn't the first time that there has been a standoff between industry and farmers unwilling to surrender land. Here are four other large industrial projects in India that have recently been wracked by protests:

1. In August, the Supreme Court gave South Korean steel firm POSCO the use of large swathes of forestland in Orissa for a $12-billion plant that protesting farmers said would displace thousands of people. The protests delayed the start of construction on the plant, which could be India's single biggest foreign investment to date.

2. In the same month, the Supreme Court allowed Vedanta Resources to mine bauxite in hills considered sacred by tribal people in Orissa. The mining would feed an alumina refinery, part of an $800-million project that has been widely opposed. Environmentalists say the open-cast mine will wreck the rich bio-diversity of the remote hills and disrupt key water sources vital for farming.

3. Goa, famous for its beaches and tourist industry, in January dropped plans to build special economic zones for industry after protests from political and environmental groups.

4. West Bengal last year aborted a plan for a special economic zone for a chemicals complex in Nandigram after fierce protests. At least 35 villagers were killed in clashes between locals and communist party workers and the State Government put all SEZs on hold in the state.

9.1.3 Factors in Industrial Relations

Industrial relations are influenced by various factors viz., institutional factors, economic factors and technological factors.

1. *Institutional factors:* These factors include government policy, labour legislation, voluntary courts, collective agreements, employee courts, employers' federations, social institutions like community, caste, joint family, creed, system of beliefs, attitudes of workers, system of power, status, etc.

2. *Economic factors:* These factors include economic organisations, like capitalist, communist, mixed, etc., the structure of labour force, demand for and supply of labour force, etc.

3. *Technological factors:* These factors include mechanisation, automation, rationalisation, computerisation, etc.

4. *Dynamic and changing:* Industrial relations change with the times, generally keeping pace with the expectations of employees, trade unions, employers' associations, and other economic and social institutions in a society. Apart from the legal framework, these societal forces generally influence the direction of industrial relations within a country. (Agnihotri)

5. *Spirit of compromise and accommodation:* The industrial relations system is characterised by forces of conflict and compromise on either side. In the larger interests of society, both the employer and the employees must put out fires amicably and get along with each other in a spirit of compromise and accommodation. The individual differences and disagreements must be dissolved through persuasion and even pressure. The factors responsible for conflicting situations need to be resolved through constructive means.

6. *Government's role:* The government influences and shapes industrial relations with the help of laws, rules, agreements, awards of courts and emphasis on usages, customs,

traditions, as well as the implementation of its policies and interference through executive and judicial machinery.

7. *Wide coverage:* The scope of industrial relations is wide enough to cover a vast territory comprising of grievances, disciplinary measures, ethics, standing orders, collective bargaining, participatory schemes, dispute settlement mechanisms, etc.

8. *Interactive and consultative in nature:* Industrial relations includes individual relations and joint consultation between labour, management, unions, the state, etc. It pinpoints the importance of compromise and accommodation in place of conflict and controversy in resolving disputes between labour and management.

Task Do you think the right of the workers to strike is a fundamental right – as guaranteed in the Constitution of India? Why and Why not?

Caselet **Workers vs Volvo "Wheeling in Industrial Dispute"**

Far from Haryana, where industrial unrest at the Maruti Suzuki factory has been in the limelight, is an ongoing protest at the factory of another automobile giant.

Largely unreported by mainstream media, the workers at the only factory of the Swedish bus manufacturing firm Volvo, have struck work for around 60 days now (starting August 2). So for 60 days, every regular employee of Volvo has been protesting outside the factory premises against the oppressive management practices adopted by the company.

Located just 30 kilometres from Bangalore, the strike proceeds even as the management continues to push forward production using a combination of less experienced trainees, probationers and other assorted contract workers hired from staffing agencies. Needless to say, the quantity of production has been strongly impacted and the clients that placed orders with Volvo would need to be doubly concerned about the quality of buses delivered during this period of time.

One would imagine that companies that manufacture for and cater to the luxury segment of a product would manage to find enough margins to look after its workers well (each Volvo bus is sold between ₹ 70 lakh to ₹ 1.2 crore). Clearly, we are expecting too much here. It must be pointed out that it is the continued exploitation of the workers in this prestigious firm that initially led them to form a Union to get their voice heard.

The genesis of the conflict lies in the low wages at the factory, right from the time the Volvo buses division was set up in 2001. The share of Azad Builders, who had a 30 per cent minority stake in Volvo India, was bought out by Volvo in 2008, making it a fully-owned subsidiary of the Swedish giant. At this point of time, workers were being paid monthly wage of ₹ 5,500. After continuous demands from the workers for higher wages – the management consented to give a salary hike of a measly ₹ 650 in July 2009. When the workers asked for a higher wage uptick, the management of Volvo insisted that they would only negotiate with a recognised union. This requirement led to the creation of the

Contd...

Volvo Bus Workers Union (VBWU) and was registered in October 2009. The VBWU presented its official charter of demands to the management in January 2010.

Spark of Mismanagement

The management then entered into negotiations with the elected heads of the union on Friday, April 23, 2010. The negotiations went on for a long time and came to a conclusion only at 17:30 hrs on that day. Since, the negotiations were to result in the long anticipated wage increases, there was a lot of curiosity among a section of the workers who waited near the meeting room to know what had happened. It was precisely between the conclusion of the meeting and the usual bus-departure time of 17:40 hrs, that Raghuram who was a manager in the administration asked the buses to leave at 17:35 hrs, five minutes before their usual time. Some other workers who were peacefully sitting in the bus, disembarked to protest this decision to send the buses early. The buses were sent out all the same. Being 10 kilometres from nearest town, Hoskote, these buses are the workers sole mode of transport after work.

This incident lies at the crux of the workers' misgivings. All the workers whom I spoke to, attested to this incident and said that they were victimised for no reason at all. This incident and the ensuing chain of events is a perfect case study in total mismanagement.

Upon discovering that the buses had already left, all the workers then went to the management asking for the buses to be recalled, but the management refused. It is during this argument that there was a surge in the crowd which resulted in some people being pushed – both among the workers and the management. This was given a negative spin in the subsequent public relations campaign by Volvo as an assault by the workers on a foreigner, Mr Schwartz. The workers surrounded the management asking for transportation and this brouhaha went on till the early hours of the next day which was a Saturday, a holiday. On the same day the management suspended the representatives of the Union and two others. With no progress in sight, in August 2010, the workers went on a full-strike demanding the required wage hike that had never materialised and the reinstatement of their union representatives.

Harassment of Workers

The strike led to tripartite negotiations and successfully ended with the long awaited wage settlement (valid for three years) with salaries increasing in the range of ₹ 3,500–5,000 for the employees. However, the workers, to their dismay, started to find themselves being increasingly harassed on the factory floor. All the probation periods were increased by one year, the managers started accusing employees of product sabotage and dragging them to the police, trainees were not regularised and there was an increase in the number of contract workers used (who are paid around half the salary of a regular employee). Apart from this, the management started to resort to other petty actions like denying workers any kind of leaves (whether for exams or personal problems), reducing the quality of transportation (without changing the salary contribution under the transportation head), harassment about breaks and so on.

What should be noted is that the three managers, who were involved in the incidents of April 23, have since been moved out of the company or the division. Despite discovering errors on the side of the management during their domestic enquiries, the management did not reinstate the union representatives. While publicly taking a stand supporting dialogue with unions, Volvo internally kept its elected union members under suspension for over a year. With no other legitimate representation and facing increased harassment at the workplace, the workers saw no other option but to go on strike again on August 2,

Contd...

2011. Their demands were primarily to reinstate the elected representatives of the union and against the harassment of probationers/trainees and regular employees. Subsequently, the union representatives were dismissed and now the strike soldiers on into its 55th day (as on September 25, 2011).

The Larger Picture

There are some external considerations that need to be factored in to understand the strike in the right perspective.

One: There has been double-digit inflation in the Indian economy since 2008 and it is through this period that automotive companies have refused to raise wages while trying to increase productivity. Their 'innovative' solution to compensate for rising input costs and market volatility was to increase the pressure on the workers. This not only depicts a profound lack of creative problem solving but has also led to increased industrial disputes from the north to the south of the country in 2011. The clinching aspect is that most of the unrest is limited to the automotive sector which has recently been facing various other market-related problems. It then becomes obvious that the market problems are being transmitted onto the ordinary employees thus reflecting the incompetency of the management.

Two: The Karnataka Government has been very closely linked with and is a prized client of Volvo. It recently purchased around 250 Volvo buses as part of the urban renewal scheme – JNNURM. Volvo found its name mentioned in a corruption accusation involving a trip by the Karnataka Transport Minister R Ashok to Sweden where Volvo is headquartered. This was promptly denied by both the Minister and Volvo. The concerned Transport Department later retracted and apologised stating that it had provided wrong information in its RTI reply. The Government, in its zeal to boost industry, has also been a prime facilitator in the acquisition of the Volvo factory's land while being a leading purchaser of Volvo buses. This puts the Government in an uncomfortable conflict of interest when workers are exploited in the very same factory and it is the arbitrator in the dispute.

Three: There has been an increasing usage and exploitation of contract workers by Indian companies. The reaction of firms to local competition and globalisation has been the creative use (and abuse) of contractors and contract workers. The frustration against these rampant practices was recently shown in a trite Supreme Court judgement admonishing a private company for taking advantage of contract workers and summarily dismissing its petition. Labour reforms, while simplifying the laws, should ensure that the workers are protected and allows them to work in a decent work environment. Those in policy-making capacities must keep in mind that Western free-market type relaxed labour practices, were implemented only after enforcing rigorous social security mechanisms and stringent health and safety laws – none of which exist in India.

Source: http://newsclick.in/node/2616

Self Assessment

State whether the following statements are true or false:

1. Industrial relations are fairly multi-dimensional in nature.

2. The process of joint consultation paves the way for industrial peace.

3. Cordial labour-management relations ensure lower productivity.

9.2 Industrial Conflict

Relations between labour and management do not proceed along the lines envisaged above for a variety of reasons. Divergent views, opposite stands, contrasting demands characterise labour-management relations. Employees want more jobs, management wants to reduce staff, raise productivity and save on all fronts. Management wants to computerise and introduce latest technology gradually in order to reduce the dependence on manual force. Labour and unions cannot afford to let this happen by keeping silence. Labour wants a fair share of productivity gains. Management wants to demonstrate those gains as fruits of risky investments. The argument goes on and on. However, the survival of both partners in the industrial activity is dependent on how appreciatively they look at each other's concerns and get along without rubbing each other the wrong way.

Industrial conflicts constitute militant and organised protests against existing industrial conditions. They are symptoms of industrial unrest in the same way that boils are a symptom of a disordered body. The Industrial Disputes Act, 1947, defines an industrial dispute as *"any dispute or difference between employees and employees, or between employees and employers, or between employers and employers, which is connected with the employment, or non-employment, or the terms of employment or with the conditions of work of any person"*. Thus, the term is characterised by the following factors:

1. There should be a difference or dispute. For example, labour demands something, management does not grant the same.

2. The dispute could be between employer-employer, employee-employee or employer-employee.

3. The dispute must pertain to some work-related issue.

4. Dispute between one or two workmen and their employers is not an industrial dispute; instead, it must be raised by a group or class of workmen.

9.2.1 Forms of Industrial Disputes

The various forms of industrial disputes may be stated thus:

1. *Strikes:* A strike is a spontaneous and concerted withdrawal of labour from production temporarily. It is a collective stoppage of work by a group of workers for pressuring their employers to accept certain demands. The Industrial Disputes Act, 1947 has defined a strike as "an assertion of work by a body of persons" employed in an industry acting in combination, or a concerted refusal or a refusal under a common understanding of any number of persons who are or have been so employed to continue to work or to accept employment. Strikes are of several types:

    (a) *Sympathetic strike:* When a strike is undertaken to show sympathy with workers in other industries, it is called a sympathetic strike.

    (b) *General strike:* It is a strike by all or most of the unions in a industry or a region.

    (c) *Unofficial strike:* It is a strike undertaken without the consent of the unions.

    (d) *Sectional strike:* It is the refusal of a section of a given class of workers to perform their normal duties.

    (e) *Bumper strike:* It is a strike when the unions plan to paralyse the industry, firm by firm, the order being chosen by the union. Such strikes are supported by the contributions of those who are still at work.

(f) *Sit down strike (also called stay-in, tool down, pen down strike):* It is a strike in which workers cease to perform their duties but do not leave the place of work.

(g) *Slowdown strike:* Known as a 'go-slow' tactic, the workers do not stop working but put breaks to the normal way of doing things.

(h) *Lightning strike:* Out of provocation, workers may go on strike without notice or at very short notice. There is an element of surprise in such wildcat strikes.

(i) *Hunger strike:* To gain sympathy from the public and get noticed by the employer, workers may decide to forego food for a specified period. Small batches of workers may also go on a relay hunger strike in a sequential order. Such non-violent protests generally bring moral pressure on employers to iron out the differences with labour quickly.

2. **Lockouts:** Lockout is the counterpart of strike. It is the weapon available to the employer to close down the factory till the workers agree to resume work on the conditions laid down by the employer. The Industrial Disputes Act of 1947 defined it as *"the closing of a place of an employment, or the suspension of work or the refusal of an employer to continue to employ any number of persons employed by him"*. If it is impossible to meet the demands of the workers, employers may decide to go for lockout. An employer may also pull down the shutters so as to bring psychological pressure on the workers to agree to his conditions or face closure of the unit.

3. **Gherao:** Gherao means to surround. In this method, a group of workers initiate collective action aimed at preventing members of the management from entering the office. This can happen outside the factory premises too. The persons who are 'gheraoed' are not allowed to move for a long time, sometimes even without food or water. The National Commission on Labour, while refusing to accept it as a form of industrial protest, opined that gheraos tend to inflict physical duress (as against economic pressure) on the persons affected and endanger not only industrial harmony but also create problems of law and order.

4. **Picketing and Boycott:** When picketing, workers often carry/display signs, banners and placards (in connection with the dispute), prevent others from entering the place of work and persuade others to join the strike. Boycott aims at disrupting the normal functioning of an enterprise. Through forceful appeals and negative behavioural acts, striking workers prevent others from entering the place of work and persuade them not to cooperate with the employer.

9.2.2 Causes of Industrial Disputes

Some of the prominent causes of industrial disputes may be listed thus:

1. **Employment:** The list here includes disputes over wages, allowances, bonus, benefits, working conditions, unjust dismissals, retrenchment of workers, methods of job evaluation, changes in methods of production, non-implementation of awards of tribunals, etc. The National Commission on Labour remarked *"though on a majority of occasions industrial disputes were based on claims pertaining to the terms and conditions of employment, sometimes economic issues of a general character dominated and, on occasions, purely political motives"*.

2. **Nationalisation:** Workers protested against the introduction of rationalisation, automation, computerisation (e.g., Bank unions oppose this move even now) on various occasions, fearing large scale retrenchment.

3. *Administration-related causes:* These pertain to ill-treatment, undeserved punishment, verbal abuse, physical assaults, etc.

4. *Recognition:* Disputes arose when employers failed to recognise a union as a bargaining agent.

5. *Sympathetic strikes:* Workers struck work in one plant/industry when they wanted to exhibit their solidarity with striking workers from another plant or industry.

6. *Psychological/social causes:* On occasion, family, friends, community, environmental pressures and concerns also instigated the workers to take to the streets.

7. *Institutional causes:* Disputes arose on account of institutional factors such as: recognition of unions, membership of unions, scope of collective bargaining, unfair practices.

8. *Political causes:* Political leaders have used unions as powerful weapons to build tensions inside a plant/industry with a view to satisfy their own private ends on a number of occasions, especially in unionised places like Mumbai, Ahmedabad, Kanpur, Kolkata, etc.

Self Assessment

Fill in the blanks:

4. A .... is a spontaneous and concerted withdrawal of labour from production temporarily.

5. .... is the weapon available to the employer to close down the factory till the workers agree to resume work on the conditions laid down by the employer.

6. .... means to surround. In this method, a group of workers initiate collective action aimed at preventing members of the management from entering the office.

9.3 Industrial Disputes in India

Industrial dispute in the form of a strike or a lockout, is a double-edged sword. It means stoppage of work, causing production loss to the employer. The worker, at the same time, is pushed to the wall as he loses his earnings. Disputes were not wide spread in India before the First World War (1914-1918). Workers were largely illiterates, had no organising powers and clearly lacked strong union leaders who could fight on their behalf and deliver the goods. A timeline on major industrial unrest/upheavals in India may be provided thus: (Pocket book of Labour Statistics 2009; Labour Laws, Taxman)

1918–1920

● Many strikes during this period. People were ever eager to fight for their democratic rights.

● 1919, more than a lakh workers of Bombay Cotton Textile Mills went on strike.

● 1920, more than 200 strikes affecting near 1.5 lakh workers.

1921–1928

● After the first world war employers were keen to introduce rationalisation to cut wages with a view to cope with sluggish demand conditions.

- TISCO shut down; E. I. Railway strikes and strikes in Bombay Cotton Textile Mills were common; increased tendency to use 'strikes' as a powerful weapon.

- Binny and Co. affected by strike/lockout. Buckingham and Carnatic mills closed down.

- Formation of ILO in 1919; AITUC in 1920; Trade Union Act in 1926; Industrial Disputes Act 1929; a conciliation machinery was provided for setting disputes peacefully.

1929–1939

- Depression hit the industry sadly. 1928, 1929 – intense industrial unrest.

- 1930–1937 relatively peaceful, baring short-lived strikes in Bombay Cotton Mills and a general strike in Mumbai.

- 1937–1939 unrest increased. The Congress Party's manifesto raised workers' hopes. In 1937 and 1938, the number of strikes was 379 and 399 respectively.

- 1939, 406 disputes involving nearly 5 lakh workers. The Second World War (1939-1945) worsened the situation further.

1939–1945

- Sep. 1939, war broke out; inflation and rising prices, high cost of living, low purchasing power of workers.

- Disputes rose from 322 in 1940 to 694 in 1942. Between 1939-1945, 4000 strikes led to a loss of 31.5 million man-days.

- A large number of strikes revolved around the issue of dearness allowance.

- In 1940, 1,75,000 Bombay textile workers struck work for over 40 days.

- Defence of India Rules framed, paving the way for compulsory adjudication of disputes and prohibiting strikes during the court proceedings. 1942-1946 was relatively free from large scale strikes/lockouts.

1940–1947

- Between 1940-1947, a total of 7009 strikes took place affecting cotton, woolen and silk mills badly, followed by unrest in engineering, railways, mining, etc.

- Demands for higher wages and bonus were the main causes of disputes. Bombay (now Mumbai) was the most troublesome city (542 strikes) followed by the states of Bengal, MP and UP during this period.

Post Independence 1947–1974

- Tall promises made by Congress Party raised hopes among the workers, cost of living went up steeply, the fear of retrenchment was uppermost in the minds of workers, communists influenced the thinking of working class under the circumstances.

- Intense labour unrest in Railways, P & T in 1949, textile and jute mills suffered most. Code of Discipline was evolved in 1958.

- Gheraos, Bandhs, Strikes were quite common over rising prices and growing retrenchment in recession hit industries.

Post Emergency 1975–1990

- During the Emergency period (1975–1977) the number of disputes fell sharply. However, during this period lockouts affected the industrial relations scene badly.

- The suppressed feelings of helplessness and frustration found outlet after the emergency was lifted. Datta Samant emerged as a strong trade union leader in Bombay (now Mumbai). In Jan 1982, the largest textile strike involving 2.5 lakh workers from over 60 mills was organised causing a loss of over ₹ 500 crores to workers and mill owners. Production loss was estimated at over ₹ 2,000 crores. Several mills were closed. The strike had a sad ending.

Post Liberalisation

1. After liberalisation (1990 onwards) the clout of unions was reduced drastically. Strikes organised by Rajan Nair, Chand Bibi, Dhunji Neterwala did not yield major benefits to workers. The Datta Samant-led agitation in Premier Automobiles Ltd. failed miserably.

2. A steady reduction in the number of disputes is discernible. From 1810 strikes recorded in 1991, the figure came down to 295 in 2002. The number of man-days lost due to strikes has also fallen steadily.

3. The trends indicate a shift in balance of power since 1993. The man-day loss figures suggest the management flexing their muscles, locking out units rather than the workmen forcing the hand of management through strike action. In major cities like Kolkata, Mumbai, Chennai, Delhi, Bangalore trade unions are just fighting for survival now.

4. The militancy which was almost synonymous with labour unions in the past has, by and large, declined now. The Shiv Sena led Bharatiya Kamgar Sena was more pragmatic and was quick to understand the shifting trends. In the Mumbai and Pune belt it enjoys membership of over 2.5 lakh workers. Mill owners are also happy to deal with such unions which give importance to plant level factors and conduct the negotiations in a give-and-take manner.

5. Broadly speaking the States of AP, Karnataka, Kerala, Maharashtra, Rajasthan and West Bengal together accounted for over 75 per unit of the total number of disputes.

6. Disputes in manufacturing industries were quite high. Thirty to forty per cent of disputes arose in railways, textiles, coal, docks and ports, insurance, banking and plantations.

7. In public sector, disputes were frequent in steel, P & T, railways, ports, LIC, Indian Airlines and fertilizer units.

8. More than half of disputes (30%) arose on account of income factors (wages, allowances, bonus) followed by causes relating to indiscipline, personnel and charter of demands.

9. Layoffs were relatively high in Andhra Pradesh, Gujarat, UP, Maharashtra, Kerala, Karnataka and Rajasthan when compared to other states.

Self Assessment

State whether the following statements are true or false:

7. Industrial dispute in the form of a strike or a lockout.

8. After liberalisation (1990 onwards) the clout of unions was increased.

9. During the Emergency period (1975-1977) the number of disputes fell sharply.

9.4 Industrial Disputes: Preventive Machinery

The methods for prevention of industrial disputes are explained below:

1. *Trade Unions:* Strong trade unions help prevent industrial disputes. They can bargain with employers effectively and seek quick redressal of grievances. Industrial relations will be sound only when the bargaining power of the employees' union is equal to that of management. A strong union can protect the employees' interest relating to wages, benefits, job security, etc. Trade Union is the outcome of Industrialization. It is generally an association of workers formed in to safeguard the interests and growth of the workers in the organization. It is permanent association and is formed to protect the socio-economic as well as the political interests of the workers in any organization.

    Role of Trade Unions in Organizations

    Trade union are formed to protect and promote the interest of their members. Their primary function is to protect the interest of workers against unfair labour practices. These trade unions are formed to achieve the following roles such as:

    ❖   Negotiation

    ❖   Improving the living condition of the workers and of the workers.

    ❖   Defense of economic and social interest.

    ❖   Promoting democratic voluntary and self help activities.

    ❖   Tools for social progress and economic development.

    ❖   Promoting mutual help and self reliance.

    Functions of a Trade Union

    There are main functions of a trade union, which are as follows:

    ❖   Collective bargaining with the management to settle terms and conditions of employment.

    ❖   Advise the management on personnel policies and practices.

    ❖   Taking up the individual and collective grievances of the workers with the management.

    ❖   Work for achieving better say of workers in the management of affairs of the enterprise which influence the lives of the workers directly.

    ❖   Organizing demonstrations, strikes, etc., to press demands of workers.

    ❖   Education of workers and their children.

    ❖   Welfare and recreational activities for their members.

    ❖   Representing of workers in various national and international forums.

    ❖   Securing legislative protection for workers from the government.

Example: **Trade Union Militancy in the Banking Sector**

Union Militancy is definitely on decline. The best example is the usual strike threats by the organised bank employees union. Until about three years ago, there had never been an occasion when the bank employees could not bring the managements association on their knees and sign the agreement as dictated by the bank employees union. Now in a dramatic reversal of roles,

we find the management coming down heavily on trade unions in the banking sector. The opening up of foreign banks, scores of customers friendly private banks with all modern technologies have made the employees of the nationalised banks to see reason and think of their job security. Similarly, in the government sector also, the government is taking a tough stand on the unreasonable demands of the employees and the industrial action of the government employees is limited to some peaceful slogan shouting after the close of office hours and distribution of pamphlets. The toughness on the part of the management, the competition from the private sector and the concern of job security looming large are the main reasons for the decline of the trade union militancy.

2. *Joint Consultations:* To prevent industrial disputes, two ways of joint consultations are adopted – Works committees and Joint management councils.

(a) *Works Committees:* As per the provisions of the Industrial Disputes Act, 1947, works committees have to be set up in all those industrial units which employ 100 or more persons and are composed of an equal number of employers' and employees' representatives. The committees are given the responsibility of removing the causes of friction between labour and management in the day-to-day functioning of a unit. A works committee is a purely consultative body and not a negotiating body. The committee:

♦ Offers greater participation to worker in day-to-day affairs.

♦ Ensures close mutual interaction between labour and management.

♦ Generates a cooperative atmosphere for negotiations between the two parties.

♦ Opens the door for unions to have a clear view of what is going on within the unit.

♦ Strengthens the spirit of voluntary settlement of disputes.

A number of issues come under the purview of works committees like wages, benefits, bonus, hours of work, terms and conditions of employment, welfare measures, training, transfers, etc.

The Tata Iron and Steel Company (TISCO, Jamshedpur) was the first to create a works committee way back in 1920. Till the end of Second World War, employers have not realised the importance of works committees and as a result, very few works committees came into existence. The Industrial Disputes Act, 1947, legalised the establishment of works committees at the plant level.

Though a large number of committees were established in the central sphere, only 530 committees were operational at the end of 1987 (in 1952, 2075 works committees were in existence!).

Works committees in India did not succeed on account of several reasons. The scope and functions of these committees were not clearly defined. The advisory nature of the committee did not help matters either. The committee, in the absence of legal powers, could not enforce its own decisions. Multiple unions had their representatives in the same committee at the plant level. This had only escalated tensions among members. Often, employers used these committees (filled with their own 'yes' men) to fight workers' associations. To complicate matters further, unions did not welcome the formation of these committees fearing dilution of their power. Unions looked upon these as their rivals. Many works committees do not function at all, for they exist only on paper. They do not meet at regular intervals and do not discuss matters of real importance.

Did u know? According to the National Commission on Labour (1969), the advisory nature of works committees, the recommendations, vagueness regarding their exact scope, their functions, inter-union rivalries, union opposition and reluctance of employees to utilise such media have rendered works committees ineffective.

(b) *Joint Management Councils (JMCs):* In the Industrial Policy Resolution 1956, the need for joint management councils consisting of representatives of management, technicians and workers was emphasised. Management must supply facts regarding the working of a unit and the council discusses various matters across the table and recommends steps for improving efficiency.

The main features of the scheme are given below:

♦ The scheme is voluntary, not obligatory.

♦ The JMC should consist of equal numbers of representatives of workers and employers (minimum 6 and maximum 12).

♦ JMCs should look after three areas: (i) information sharing (ii) consultative and (iii) administrative. Matters relating to welfare, safety, training, holiday schedules, formulation of standing orders, etc., all come under the above three categories.

♦ Decisions of the JMC should be unanimous and should be implemented without any delay.

♦ The JMCs should not encroach on the jurisdiction of works committees.

♦ The JMC members should be given proper training.

♦ Representation of workers to the JMCs should be based on nominations by the recognised union.

♦ Initially, JMCs should be constituted in a large number of public and private sector units being over 500 or more workers where there is a strong trade union, and where the labour-management relations are sound.

Originally, the idea was to be implemented in over 150 units, but at present about 80 are operating in public sector units such as Hindustan Insecticides, HMT, Indian Airlines, Air India, etc. and in a large number of private sector units such as TISCO, Arvind mills, Modi Spinners and Weaving Mills, Travancore Rubber works, etc. The experiment has not succeeded in India. As one expert commented, *"the works committees and the joint councils have failed . . . It is living in a fool's paradise to believe that labour will be an active partner in management"*. Factors such as lack of interest on the part of workers, union rivalries, unfavourable management attitudes, etc., are mainly responsible for the unsatisfactory performance of JMCs in India.

3. *Standing Orders:* The term 'Standing orders' refers to the rules and regulations which govern the conditions of employment of workers. They specify the duties and responsibilities of both employers and employees. Through standing orders, the conditions of employment are sought to be regularised, paving the way for industrial peace and harmony. The Industrial Employment (Standing Orders) Act of 1946 provides for the framing of standing orders in all industrial undertakings employing 100 or more workers. As per the provisions of the Act, employers have to formulate standing orders in consultation with workers and submit to a certifying officer. The matters to be highlighted therein are: (a) Classification of employees, (b) Hours of work, holidays, paydays, wage rates, (c) Shift working, (d) Attendance and late coming, (e) Leave rules, (f) Temporary stoppages of work, (g) Termination, suspension and disciplinary actions, etc.

The certified copies of the standing orders must be displayed prominently inside the undertaking. Once certified, the standing orders are binding on the employer and the employees. Violation of conditions mentioned therein invite penalties. The Labour Commissioner (Deputy Labour Commissioner, Regional Labour Commissioner) exercises the powers of certifying officer and in that capacity has all the powers of a civil court. The Act has been amended a number of times, the latest in 1982. The 1982 Act provides for the payment of a subsistence allowance to workers who are placed under suspension.

4. *Grievance Procedure:* A grievance may be defined as *"any real or imagined feeling or personal injustice which an employee has concerning his employment relationship".* Grievances have to be redressed promptly. Any attempt to suppress them may backfire and may find expression in violent forms later on. A model grievance procedure, as suggested by the Indian Labour Conference, 1958, has more or less been widely accepted now in India. Under this model, both the employer and the workers are expected to follow certain steps so as to put out the frictions between them. Another method commonly used to prevent industrial disputes – Workers' Participation in Management – has already been explained previously.

5. *Code of Discipline:* Over the years, several legislative measures have been adopted in India to promote discipline and harmony between employees and employers. Sad to relate, the results have not been very encouraging. As a remedy, the Second Five Year Plan has suggested that both employees and employers must formulate and abide by a voluntary Code of Discipline. In pursuance of this suggestion, the Fifteenth Indian Labour Conference suggested a Code of Discipline in 1957. The Central National Labour Organisations (INTUC, AITUC, HMS, UTUC) and Employers' Associations (EFI, AIOIE, AIMO) have agreed to enforce the code with effect from June 1, 1958. The code aims at preventing disputes by providing for voluntary and mutual settlement of disputes through negotiations without the interference of an outside agency. The principles regulating the conduct of the employer and the employee, as provided for in the code, may be listed thus:

    (a) *Obligations of Both Parties*

        ♦   It restrains both employers and employees from unilateral action. Both parties must recognise each other's rights and obligations and settle disputes through the existing machinery for the settlement of disputes.

        ♦   The parties should not indulge in strikes and lockouts without notice or without exploring possibilities to resolve disputes through negotiations.

        ♦   Neither party will resort to coercion, intimidation, victimisation or litigation or adopt unfair labour practices (e.g., go slow, sit down strike, etc.).

        ♦   Both employers and unions will educate workers regarding their obligations and agree to follow a mutually agreed grievance procedure.

    (b) *Obligations of Employer:* Management agrees not to increase workload without prior agreement with workers, discourages unfair labour practices, takes prompt action to redress grievances, displays the code in prominent places, agrees to implement all awards and agreements, takes disciplinary action against officers/members who instigate workers and agrees to recognise a representative union.

    (c) *Obligations of Unions:* Unions agree not to indulge in physical duress, not to permit employees to do union work during working hours, discourage negligence of duty, careless operations, damage to property, insubordination and take action against office-bearers who work against the spirit of the code.

The code does not have any legal sanction. However, the central employers and workers' organisations agree to impose certain moral sanctions against erring members such as seeking explanations for infringement of provisions, criticizing them for not following the code, give wide publicity to the fact that a particular unit is working against the code, etc.

(d) *Evaluation:* At present, the code has been accepted by about 200 individual employers and about 170 trade unions, in addition to the support extended by the central organisations of workers and employers. Barring railways, Port and Docks and undertakings under the Ministry of Defence, the code is applicable to all public sector units. The LIC, SBI and RBI have also accepted it. The focus of the code in the early years was on compliance, i.e., asking the parties to abide by certain basic provisions and discouraging all violations in tripartite committees. The Third Plan felt that the code had a healthy influence on employer-employees relationship and definitively had a restraining and sobering impact on both the parties. The National Commission on Labour (NCL), however, highlighted certain black spots:

♦ The code failed because the parties did not have a genuine desire to support it wholeheartedly.

♦ Conflicts between the code and the law.

♦ Union rivalries, inflationary pressures, the state of indiscipline in the body politic and other reasons beyond the control of employer, etc.

The remedy the situation, NCL wanted the Government to give legal shape to certain important provisions such as:

♦ Recognising unions as bargaining agents.

♦ Setting up a grievance machinery.

♦ Prohibiting strikes/lockouts without notice.

♦ Imposing penalties for unfair labour practices.

♦ Providing for voluntary arbitration.

Task Give some examples of companies that have good union – management relationships. Find how did they achieve good relationships? What criteria are used to determine? What constitutes good relationships from the union perspectives?

Self Assessment

Fill in the blanks:

10. Trade Union is the outcome of ....

11. A works committee is a purely consultative body and not a .... body.

12. The term .... refers to the rules and regulations which govern the conditions of employment of workers. They specify the duties and responsibilities of both employers and employees.

9.5 Industrial Disputes: Settlement Machinery

The Industrial Disputes Act, 1947, provides a legalistic way of setting disputes, where the employer and the unions fail to reach an agreement bilaterally. The provisions of this judicial machinery may be listed thus:

1. *Conciliation:* Conciliation is a process by which representatives of workers and employers are brought together before a third person or a group of persons with a view to persuade them to come to a mutually satisfying agreement. The objective of this method is to settle disputes quickly and prevent prolonged work stoppages if they have already occurred. The essential hallmarks of this approach are:

   (a) The conciliator tries to bridge the gulf between the parties, if possible.

   (b) If he does not fully succeed, he tries to reduce the differences to the extent possible. He acts as a conduit through which messages are passed from one side to the other, coupled with his own interpretations facilitating the understanding of disputing parties. To the extent possible, he tries to 'clear the fog' surrounding the issue.

   (c) He persuades parties to take a fresh look at the whole issue, through a process of give and take and explore the possibility of reaching a consensus.

   (d) He only advances possible lines of solution for consideration by the disputants. He never tries to force the parties to accept his viewpoint. He never offers judgement on the issues. If parties feel that the suggestions offered by the conciliator are acceptable, they may strike a deal.

   (e) The conciliator need not follow the same path in each case. The process of conciliation, therefore, has a certain amount of flexibility and informality built around it.

   The conciliation machinery in India consists of the following:

   (a) *Conciliation Officer:* According to the Industrial Disputes Act, 1947, the Central and State Governments can appoint a conciliation officer to mediate in all disputes brought to his notice. The officer enjoys the powers of a civil court. He can call and witness disputing parties on oath and interpret the facts of the case. He is expected to give judgement within 14 days of the commencement of the conciliation proceedings. His judgement is binding on all the parties to the dispute. The conciliation officer has a lot of discretion over the ways and means to be followed to bring about a settlement between the disputants. He may do all such things as he thinks fit for the purpose of inducing the parties to come to a fair and amicable settlement of disputes.

   (b) *Board of Conciliation:* When the conciliation officer fails to resolve the disputes between the parties, the government can appoint a Board of Conciliation. The Board of Conciliation is not a permanent institution like the conciliation officer. It is an ad hoc, tripartite body having the powers of a civil court, created for a specific dispute. It consists of a Chairman and two or four other members nominated in equal numbers by the parties to the dispute. The Chairman who is appointed by the government should not be connected with the dispute or with any industry directly affected by such dispute. The board, it should be remembered, cannot admit a dispute voluntarily. It can act only when the dispute is referred to it by the Government. The board conducts conciliation proceedings in the same way as conducted by a conciliation officer. The board, however, is expected to submit its report within two months of the date on which the dispute was referred to it. The Boards of Conciliation are rarely constituted by the government these days. In actual practice, settling disputes through a conciliation officer was found to be more flexible when compared to the Board of Conciliation.

(c) *Court of Enquiry:* In case, the conciliation proceedings fail to resolve a dispute, a Court of Enquiry is constituted by the government to investigate the dispute and submit the report within six months. It is merely a fact finding body and its findings are not binding on the parties to the dispute.

Notes The conciliation machinery has not proved its worth in the country so far. The reason is quite simple, very few cases are referred for conciliation. The few cases that are referred to it remain untenable as they fail to meet the legal stipulations. In some cases, disputes are filed, only to be withdrawn later on. A large number of cases remain pending, as the disputing parties do not supply relevant information initially. The heavy work pressures of the officers also come in the way of clearing cases within the 14 days' time period. Conciliation, as pointed out by the National Commission on Labour, is only treated as a first hurdle by the parties, who prefer to go to the next stage without showing any interest to settle the case(s) quickly. As things stand now, both labour and management do not seem to repose their faith in the efficacy of the machinery created by the Government.

2. *Voluntary Arbitration:* When conciliation proceedings fail to settle the dispute, the conciliation officer may persuade the conflicting parties to voluntarily refer the dispute to a third party known as Arbitrator, appointed by the parties themselves. The arbitrator listens to the viewpoints of both parties and delivers an award or judgement on the dispute. He, however, does not enjoy judicial powers. The arbitrator submits his judgement on the dispute to the government. Thereafter, the government publishes the award within 30 days of its submission. The award becomes enforceable after 30 days of its publication. The arbitration award is binding on all the parties to the agreement and all other parties summoned to appear in the proceedings as parties to dispute. Before delivering the judgement, the arbitrator is expected to follow due procedure of giving notice to parties, giving a fair hearing, relying upon all available evidences and records and following the principles of natural justice.

Despite the best efforts of government to give a place of prominence to arbitration, it has not been a resounding success in India. The existing data on disputes settlement machinery shows that not even one per cent of the disputes reported were referred to arbitration. According to the National Commission on Labour, employers have not welcomed the step wholeheartedly. The main hurdles that came in the way were:

(a) Dearth of suitable arbitrators enjoying the confidence of disputing parties.

(b) The complicated procedure to be followed in voluntary arbitration.

(c) The payment of arbitration fees. Unions can seldom afford to pay such fees equally with management.

(d) The absence of recognised unions which could bind the workers to a common agreement.

(e) Easy availability of adjudication in case of failure of conciliation or negotiation.

(f) Absence of a legal remedy for appeal against the award given by the arbitrator.

With a view to promote voluntary arbitration, the Government has appointed a tripartite National Arbitration Promotion Board in July, 1967, consisting of representatives of employers, trade unions and the Government. The board keeps a panel of experts who could act as arbitrator. The board evaluates the progress of voluntary arbitration from

time to time and advances suggestions for its improvement. It also tries to evolve principles, norms and procedures for the guidance of the arbitrator and the parties.

3. *Adjudication:* Adjudication or compulsory arbitration is the ultimate remedy for the settlement of disputes in India. Adjudication consists of settling disputes through the intervention of a third party appointed by the government. An industrial dispute can be referred to adjudication by the mutual consent of the disputing parties. The government can also refer a dispute to adjudication without the consent of the parties. The Industrial Disputes Act, 1947, provides a three-tier adjudication machinery – namely Labour Courts, Industrial Tribunals and National Tribunals – for the settlement of industrial disputes.

Under the provisions of the Act, Labour Courts and Industrial Tribunals can be constituted by both Central and State Governments but the National Tribunals can be constituted by the Central Government only.

(a) *Labour Court:* The labour court consists of one independent person (called as presiding officer) who is or has been a judge of a High Court, or has been a district judge or additional district judge for not less than 3 years or has held any judicial office in India for not less than 7 years. The labour court deals with disputes relating to:

  (a) the propriety or legality of an order passed by employer under the standing orders;

  (b) the application and interpretation of standing orders;

  (c) discharge or dismissal of workers including reinstatement of, or grant of relief to wrongly dismissed persons;

  (d) withdrawal of any statutory concession or privilege;

  (e) illegality or otherwise of a strike or lockout; and

  (f) all matters except those reserved for industrial tribunals.

(b) *Industrial Tribunal:* This is also a one-man ad hoc body (presiding officer) appointed by the Government. It has a wider jurisdiction than the labour court. The Government concerned may appoint two assessors to advise the presiding officer in the proceedings. An industrial Tribunal can adjudicate on the following matters:

  (a) wages including the period and mode of payment;

  (b) compensatory and other allowances;

  (c) hours of work and rest periods;

  (d) leave with wages and holidays;

  (e) bonus, profit-sharing, provident fund and gratuity;

  (f) shift working, otherwise than in accordance with the standing orders;

  (g) classification by grades;

  (h) rules of discipline;

  (i) rationalisation;

  (j) retrenchment and closure of establishments; and

  (k) any other matter that may be prescribed.

(c) *National Tribunal:* This is the third one-man adjudicatory body to be appointed by the Central government to deal with disputes of national importance or issues which are likely to affect the industrial establishments in more than one state.

(d) *Appraisal:* Adjudication has proved to be the most popular way of settling disputes in India. More than 90 per cent of the disputes are settled through this judicial process every year. However, the actual functioning of machinery is far from satisfactory because of (i) the delays involved and (ii) the inefficient implementation of the awards. Adjudication has been criticized thus: (a) on the procedural plane, adjudication is dilatory, expensive and discriminatory as the power of reference vests with the appropriate government. (b) on fundamentals, the system of adjudication has failed to bring about industrial peace, has prevented voluntary settlement of industrial disputes and growth of collective bargaining and has come in the way of healthy growth of trade unions. Quite a good number of disputes are reported to be pending with Labour Courts and Industrial Tribunals for over four or five years. The complicated procedures, red-tapism, bureaucratic delays, the high lost of adjudication which only an employer can bear – have all come in the way of prompt settlement of disputes through the adjudication machinery.

Task Can an employer demand a written undertaking from the striking workmen not to repeat such an act after a strike is called off?

Self Assessment

State whether the following statements are true or false:

13. The Board of Conciliation is a permanent institution like the conciliation officer.

14. Conciliation is a process by which representatives of workers and employers are brought together before a third person or a group of persons.

15. Industrial Tribunal is the third one-man adjudicatory body to be appointed by the Central Government.

Case Study

The Real Story behind the Industrial Dispute in Maruti Factory that Turned Violent

The Manesar (Haryana) plant of Maruti Suzuki India Ltd., a subsidiary of Suzuki Corporation of Japan and the largest car maker in the country, has been in the news for almost a year. And for all the wrong reasons – the ongoing labour trouble which finally culminated in arson, rioting and the horrifying killing of a senior manager on July 18.

The mainstream media is packed with analysis on the causes of the unrest and advice for Maruti and other companies, but three important points have not received the attention they deserve.

The Realities of Japanese Management

The first is the fabled Japanese management. Not too long ago it was assumed that the Japanese have all the wisdom in manufacturing and management and if only we could learn from them we would find the answer to our woes. Business schools worldwide teach special courses on 'Japanese management' and such offerings are highly subscribed; books

Contd...

Notes

on the subject are best-sellers. But descriptions over the last one year of operations at Manesar demonstrate that essentially the Japanese trick to success is not so different from the rest: the principle followed is to get more work out of a worker, while at the same time paying less. Accounts of Manesar tell of workers being forced to steal rest breaks, docking of pay for minor infringements, almost no paid holidays, an army of poorly-paid temps etc. Here is an account of a typical workday at Maruti Manesar. You catch a bus at 5 am for the factory. Arriving a second late to punch in your card means a pay cut, but you can't leave the premises once you've entered. At 6.30 am, you exercise and supervisors give you feedback on your previous output. Start work at 7 sharp. Everyone does his one task — assembling, welding, fixing — for a minimum of 8 continuous hours. A car rolls off the line every 38 seconds, which means you can't budge from your position, ever. You get two breaks during the day. At 9 am, a 7-minute break to drink tea or go to the loo, or both. After a while you might, like many of your friends here, end up taking your hot tea and kachori to the bathroom with you. Then a lunchbreak of 30 minutes, in which you walk about a half-kilometre to the canteen, wait in line with everyone, eat and walk back. Returning even a minute late from any break, or leaving the assembly line for any reason even for a minute, means half a day's pay cut.

Overtime is a compulsion whenever the company needs it and the privilege of paid leave is a fantasy — ₹ 1,500 is deducted for one day's leave (even when you intimate in advance) from a maximum possible monthly pay of ₹ 16,000 and five days leave for any contingency reduces it to the base salary of ₹ 8,000.

Out of a workforce of 2,500, 40% are on contracts, casual or apprentice (but do similar work as permanents) and their take-home is around ₹ 6,000, with the threat of comparable deductions as regular workers looming all the time and no job security. Another worker states,

The problem is the immense pressure. They are extracting the work of 5,000 from half that number.

And this is not unique to India. Such reports are corroborated by workers in Japan and Japanese plants in the US. For instance, a leading Japanese journalist worked for several months on the famed Toyota line in its prime during the 1970s and kept a diary which he later published as a book. This is how he concludes,

While management journalism may applaud Toyota's high profit and the "kanban method"… the human costs of Toyota methods – suicides, injuries, job fatalities, and occupational disease – increase at a horrifying rate… Workers suffer every day in front of conveyer belts… this is the nightmare that I have lived.

Union as Intermediary between Workers and Management

The basic reason for the ongoing impasse of the last one year and its culmination in the grisly violence this July is the demand of the young Manesar workers to have their own representative union.

They did not want the union of the Gurgaon plant -- the parent plant where Maruti began its operations in the 1980s — to represent them as they contended it was compromised and had failed to represent workers' interests. But the management insisted that the Gurgaon union was the true representative of the Manesar workers. Common sense tells us that each one of us should have the right to decide who can represent us, either individually or collectively. The Constitution of India provides the 'freedom to form association' as a fundamental right and the Trade Union Act also gives a set of workers the right to form their own union. But the Maruti management (and the Haryana government in collusion

Contd...

with them) systematically denied this basic right to the workers for the past year, rejecting them and frustrating them in every possible way – threats, coercion, force, enticements, etc.

Not only this: after a protracted process which continued for months, when the standoff was broken last year, the management in its wisdom decided to buy peace (literally) by dismissing the whole leadership of the agitation while simultaneously giving them hefty compensations. According to media reports two top leaders were paid ₹ 40 lakh each while 28 of them got ₹ 16 lakh per person. Maruti Chairman Bhargava called this 'voluntary retirement' by young workers, most in their 20s, at the time!

What are the consequences of such a myopic outlook? When the crisis occurred on the morning of July 18 in the form of an altercation between a worker and a supervisor, there was no structure in place through which a management-worker dispute could be addressed – management had eliminated the whole set of leadership whom the workers trusted, there was no representative organisation which could have served as go-between and this kind of vacuum of leadership, organisation and trust set the stage for the unforgivable violence by the end of the day. Though there was a new union registered and recognised in February this year, management had continued to undercut it in the same manner as before. I am not getting here into which side is more to be blamed for the events of that particular day – all I am saying is that once the mechanisms for a dialogue were systematically undermined, the preconditions for such an event were ever-present.

The Elusive 'Spatial Fix'

The third aspect is the persistent reports that Maruti is likely to move lock, stock and barrel to the investment haven of Narendra Modi's Gujarat. Most revealing are the comments in the mainstream digital media: click on any news of the labour trouble this past one year and the comments section is full of unsolicited advice that Maruti should move from Haryana to Gujarat. But the moot point is how come suddenly Manesar or Haryana have become unfriendly for Maruti? Wasn't the 'hardworking', 'docile', and non-unionised labour of Haryana a big consideration when plants were established in Gurgaon in the 1980s and Manesar five years ago? The geographer David Harvey calls this unceasing quest to relocate production to a favourable place an attempt at 'spatial fix'. But Beverly Silver in a large study of the world auto industry from its inception to the 1990s demonstrates that along with the movement of the centre of auto production the location of labour unrest also shifts continuously.

The database reveals how the heart of labour unrest in the auto industry moved from North America in the 1930s and '40s, to Western Europe in the 1960s and '70s, and to developing countries in Latin America and East Asia in the 1990s. Silver concludes, "where capital goes, conflict goes". Perhaps the point can be more dramatically demonstrated through the opinion of Britain's Blackburn mission of 1896 on Shanghai's labour and the threat that it posed for British textiles : Comparing this Oriental labour and our own, there is on the one hand, cheap, plentiful, submissive, capable labour (of Shanghai), plus the best machinery we can give it; on the other hand, dear, dictating and exacting labour (of GB), plus the same machinery. Can anyone call these equal conditions? Are they not in favour of Shanghai capitalist…?

However by the 1920s Shanghai was in the news for the 'wrong' reasons and workers in the industrial capital of China called a general strike in 1927 when several lakh workers and students fought together and finally the insurrection had to be quelled brutally by Chiang Kai-shek's army. There are no quick fixes for Maruti's woes like moving to Gujarat or undermining the efforts of the workers to form their own unions.

Contd...

Questions:

1. What is the problem in the case?

2. Analyse the causes which led to the problem.

3. How should one deal with such a situation?

Source: http://www.theweekendleader.com/Causes/1270/Maruti-mire.html

9.6 Summary

- Good Industrial Relations is important not only for the employers and employees but also for the entire society.

- Unhealthy Industrial Relations are harmful to the industry and the nation and result in wastage of resources, reduction of productive working days and reduction of the national output.

- Good Industrial Relations is necessary to ensure uninterrupted production, reduce industrial disputes, enhance employee morale and reduce wastages.

- Industrial relations are the outcome of the employment relationship in an industrial unit.

- It underscores the importance of compromise and accommodation in place of conflict and controversy in resolving disputes between labour and management.

- The basic objective of industrial relations is to maintain sound relations between employers and employees.

- There are five different approaches to study industrial relations, namely, the psychological approach, the sociological approach, the human relations approach, Giri's approach and the Gandhian approach.

- Trade unions as institutions today are recognized worldwide, not just to fight against inequality in employment practices at the organizational level but also to bring social order.

- In a collective bargaining situation, HR managers need to play a crucial role to strike a win–win deal. Industrial conflicts constitute militant and organised protests against existing terms and conditions of employment.

- They occur in several forms such as strikes, lockouts, gheraos, picketing, boycott, etc.

- Industrial disputes arise due to several causes relating to recognition, retrenchment, employment conditions, indiscipline, wages and allowances, bonus, ill-treatment, etc.

- Strong trade unions, works committees, joint management councils, standing orders, proper grievance procedures, code of discipline, collective bargaining, etc. help in preventing industrial disputes.

- Conciliation (Conciliation Officer and Board of Conciliation) arbitration (voluntary and compulsory) and adjudication (Labour Court, Industrial Tribunal, National Tribunal) help in the settlement of disputes as envisaged by the Industrial Disputes Act.

9.7 Keywords

Adjudication: It is the process of settling disputes through the intervention of a third party appointed by the Government.

Arbitrator: A person who is appointed to play the role of an umpire while resolving differences and disputes between two parties.

Closure: In case of closure, the employer not only shuts down the place of business but also suspends all the transactions of his business.

Code of Discipline: It consists of a set of self-imposed obligations voluntarily formulated by the central organisation of workers and employers.

Conciliation: The practice by which the services of a neutral third party are used in a dispute as a means of helping the disputing parties to reduce the extent of their differences and to arrive at an amicable settlement or agreed solution.

Industrial Conflict: Organised protest against prevailing industrial conditions raised by a group or a class of workers.

Industrial Dispute: Any dispute or difference between employers and employers, or between employers and workmen or between workmen and workmen which is connected with the employment or non-employment or the terms of employment or with the conditions of labour of any person.

Industrial Relations: It generally refers to the collective relations between employers and employees as a group.

Layoff: In case of layoff, some workers are refused employment whereas under lock out all the workers are refused work. Under layoff the place of employment need not be closed.

Lockout: Closing down of an undertaking or the suspension of work or the refusal of an employer to continue to employ any number of persons employed by him.

Retrenchment: Termination by the employer of the services of a workman for any reason whatsoever, otherwise than as a punishment inflicted by way of disciplinary action.

Standing Orders: Rules and regulations which govern the conditions of employment of workers.

Strike: A collective stoppage of work by a group of workers.

Voluntary Arbitration: The process in which the disputing parties show willingness to go to an arbitrator (a third party) and submit to his decision voluntarily.

9.8 Review Questions

1. What do you mean by industrial relations? What measures would you suggest to improve industrial relations in a firm?

2. How does the Industrial Dispute adversely affect the workers, the management and the nation as a whole?

3. Do you think that trade unions in India have served the objectives for which they were formed? Why and Why not?

4. Distinguish between arbitration and adjudication. Give reasons for the failure of arbitration in India.

5. What is an industrial dispute? How does it adversely affect the workers, the management and the nation as a whole?

6. Is life better today for the average Indian worker as a result of unions? Discuss.

7. Explain the machinery for the prevention and settlement of industrial disputes in India.

Answers: Self Assessment

1.	True	2.	False
3.	False	4.	Strike
5.	Lockout	6.	Gherao
7.	True	8.	False
9.	True	10.	Industrialization
11.	Negotiating	12.	Standing orders
13.	False	14.	True
15.	False		

9.9 Further Readings

Books

Aswathappa, K. (2007), "*Human Resource and Personnel Management*, Tata McGraw Hill.

Bhattacharyya, D. K. (2006), *Human Resource Management*, Excel Books.

Mathis, Robert L & Jackson, John H. (2007), *Human Resource Management,* Thomson.

Rao, P. L. (2004), *Comprehensive Human Resource Management*, Excel Books.

Rao, VSP (2005), *Human Resource Management,* Excel Books.

Online links

http://alumni.pondiuni.edu.in/dde/downloads/hrmiii_irm.pdf

http://learnmba.blogspot.in/2011/06/industrial-relations.html

http://learnmba.blogspot.in/2011/06/workers-participation-in-management.htm

http://mbanotes.info/industrial-relations/

http://www.scribd.com/doc/13280949/Workers-Participation-in-Management

http://www.scribd.com/doc/9177693/Industrial-Relations-Management

http://www.whatishumanresource.com/workers-participation-in-management

Unit 10: Communication, Managing Conflict and Change Dynamics

CONTENTS

Objectives

Introduction

Objectives

After studying this unit, you will be able to:

- Discuss the concept of Communication

- Explain the Tips to Improve Workplace Communication

- Discuss the different types of conflict

- Describe the Tips for Managing Conflict

- Explain the Dynamics of Change

Introduction

In the previous unit, we dealt with the concept of Industrial Relations, Industrial Conflict, Industrial Disputes as Preventive and Settlement Machinery. Good communication is as stimulating as black coffee and just as hard to sleep after. Communication is a process by which information is transmitted and understood between two or more people. It should include both transference and the understanding of meaning. Employee conflict in the workplace is a common occurrence, resulting from the differences in employees' personalities and values. Dealing with employee conflict in a timely manner is important to maintaining a healthy work environment. Believing that a conflict will simply disappear is an inaccurate assumption to make because simple conflicts can grow into major problems if not dealt with appropriately. Managers should understand the common causes of employee conflicts, so that a solution is found before the issues become unmanageable. Change in the organisation highlights the modification or transformation of the organization's structure, processes or goods. Flexibility requires that organizations be open to change in all areas, including the structure of the organization itself. In a flexible organization, employees can't think of their roles in terms of a job description. They often have to change the tasks they perform and learn new skills. The most flexible organizations have a culture that values change, and managers who know how to implement changes effectively. At the end of this unit, you should be able to understand the concept of Communication and how will you improve it, how you will be able to manage conflict in the organisations as well as the concept of dynamic of change.

10.1 Concept of Communication

Communication system plays the same role in an organization as the nervous system in human body. It keeps the members of organization informed about the internal and external happenings relevant to their task and interest. Since, the success of organization depends upon coordinated efforts of people working at different levels to achieve a common goal, effective communication becomes a must to enable them to think together and to act together. Communication is the process of transmitting and receiving ideas accurately. It is one of the fundamental functions of management. Communication is the conveying of information from one person to another. It is two-way exchange of ideas and information that leads to a common understanding.

In communication, it is really important to get your message heard and interpreted correctly by the intended public. Messages are transmitted in many different forms of media. In Figure 10.1, sender is sending the message to the receiver.

Example: Speeches, television, face-to-face meetings, radio, newspapers, news releases, press conferences and broad casts.

As process communication is such a system where different entities are engaged in a specific manner, for example, human beings are engaged in expressing and knowing information through the use of words or other kinds of signs. Here, humans, sings, channels and other entities are associated in a process called communication whereas sharing an information is also called a communication. As communication has been considered as such process through which meanings and social realities are created/perceived/shared it is taken as the base of the human society without communication, there would be no existence of human society. It is no exaggeration to

say that communication is at the heart of human existence. In fact, we live in communication without communication there is no possibility of social interaction, political and economic activities. In other word, we can say that, it is a capacity to communicate which made social cohesion and hence the growth of civilization possible.

Communication is the process of exchanging information. Information is conveyed as words, tone of voice, and body language. Studies have shown that words account for 7 percent of the information communicated. Vocal tone accounts for 55 percent and body language accounts for 38 percent. To be effective communicators, team members must be aware of these forms, how to use them effectively, and barriers to the communications process.

Various kinds of definitions of communications are as follows:

- The dictionary meaning of communications is "The exchange of thoughts, message or information, as by speech, signals, writing or behaviour."

- Communication is social interaction through message.

- It is the simplest from communication is the transmission of a message from a source to receiver.

- The term "communication" has many different meanings and definitions but the central idea is of a process of increased commonality or sharing between participants.

- Communications is defined as the transmission or exchange of information or ideas or feelings by means of sounds, signs or symbols.

- Communications can be defined as the exchange of information, ideas and knowledge between sender and receiver through an accepted code of symbol.

Communication is human act. Though we are not often aware of human beings are constantly involved in the communication process. Whatever we do it has communicating meaning. We use communication to express our inner purpose, attitudes, feelings and to describe events and object for the external world. Communication create sharedness. When human communicates, there is sharing of feelings, emotions, knowledge, ideas, thoughts, etc. with others.

10.1.1 Elements of Communication

There are seven elements of communication:

Figure 10.1: Elements of Communication

Source: http://www.mindtools.com/CommSkll/CommunicationIntro.htm
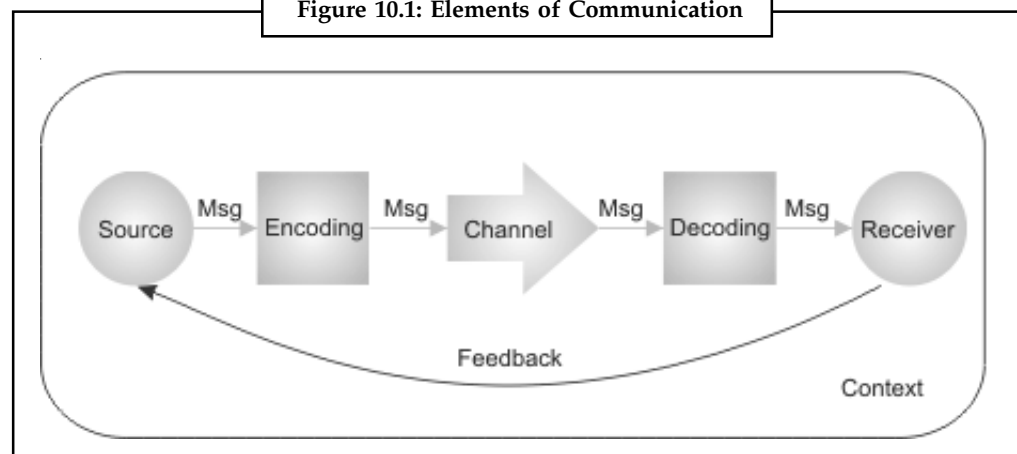
1. The Source idea is the process by which one formulates an idea to communicate to another party. This process can be influenced by external stimuli such as books or radio, or it can come about internally by thinking about a particular subject. The source idea is the basis for the communication.

2. The Message is what will be communicated to another party. It is based on the source idea, but the message is crafted to meet the needs of the audience. For example, if the message is between two friends, the message will take a different form than if communicating with a superior.

3. Encoding is how the message is transmitted to another party. The message is converted into a suitable form for transmission. The medium of transmission will determine the form of the communication. For example, the message will take a different form if the communication will be spoken or written.

4. The Channel is the medium of the communication. The channel must be able to transmit the message from one party to another without changing the content of the message. The channel can be a piece of paper, a communications medium such as radio, or it can be an email. The channel is the path of the communication from sender to receiver. An email can use the Internet as a channel.

5. The Receiver is the party receiving the communication. The party uses the channel to get the communication from the transmitter. A receiver can be a television set, a computer, or a piece of paper depending on the channel used for the communication.

6. Decoding is the process where the message is interpreted for its content. It also means the receiver thinks about the message's content and internalizes the message. This step of the process is where the receiver compares the message to prior experiences or external stimuli.

7. Feedback is the final step in the communications process. This step conveys to the transmitter that the message is understood by the receiver. The receiver formats an appropriate reply to the first communication based on the channel and sends it to the transmitter of the original message.

10.1.2 Objectives of Communication

The basic objective of human communication is trying to elicit a reaction from the person we are trying to communicate with. From a business or commercial angle, if we observe any small or large business around us we will be able to notice that the amount of success the business has achieved mainly relies on its power of communication. Communication defines the level of success that the company has attained. Following are a few of the main objectives of business communication.

1. *Information:* The core objective of a business is to convey information and making individuals more up to date. However, the method of communication may be verbal, written, visual or any other. All companies thrive on information pertinent to their business activity. They must have excellent knowledge regarding the market, their competitors, the government policies, the type of credit they can gain from; the existing economic situation, etc. Pertinent information is the main aspect for successful business. However, in the recent times, because of the arrival of the World Wide Web, there has been a swift outburst in the quantity of information that is accessible to a company and it is turning out to be gradually more difficult for a company to come across information that is genuine, comprehensive, up-to-date and new. Furthermore, it has become very important for any company to get hold of that information. Moreover, this demand for correct information

has initiated a new faction of people called the informediaries, who do not handle any type of goods but provide information.

Example: The company has to provide factual information about profitability, quality of products, facilities provided to the workers or services rendered towards the community.

2. *Motivation:* Communication in business is also necessary to increase the motivation in the workers. So if the communication is done properly and is successful in motivating the workers and workers are motivated enough the work gets done easily, efficiently and they will work independently and with out supervision. Communication should be used to create a right working environment. So that there is a healthy competitive environment among the workers and also that they can be recognized and rewarded for their achievements. Employees working at a lower level in the hierarchy of the organization should be encouraged to provide suggestion and inputs on how to improve the working of an organization, this type of communication creates a sense of participation and belonging, it also develops more loyalty towards the company.

3. *Raising Morale:* Another very important objective of business communication (internal) is to keep the moral of the workers high so that they work with vigor and confidence as a team. This is a major factor that can have very serious impact on the success of a business house. But as morale is a psychological factor the state of high morale is not a permanent factor. An organization may have a high morale among the workers for a quarter but may find that the employees have lost their morale in the next quarter. So to keep the moral of employees high an organization has to put continuous effort in that direction. It can be done by maintaining an open door policy, keeping an eye on the grapevine and not allowing harmful rumors to spread.

4. *Order and instructions:* An order is an oral or written command directing the start, end or modifying an activity. This form of communication is internal and is carried out within a business house. Order may be written or verbal. Written orders are given when the nature of work is very important or the person who would perform the task is far away. We should always be careful while handing out written orders and should always keep a copy of the order so that follow up action can be taken. Oral orders are given when work is of urgent nature and the person is nearby. But, in both the cases, it is very essential to follow up.

5. *Education and training:* Now communication can also be used in business to increase the circle of knowledge. The objective of education is achieved by business communication on three levels (a) Management, (b) employees, and (c) general public.

    (a) *Education for future managers:* Here, junior personals in the organization is trained to handle important assignments involving responsibility, so that they can succeed their superiors in the future.

    (b) *Education for newbie's:* When new personals join an organization they are inducted by educating them about the culture of the company, code of discipline, work ethos, etc. This is usually done through a training mode to acquaint the new recruits with the functioning of the organization.

    (c) *Educating the public:* Now this is done by advertising, informative talks, newspapers, journals. And this is done to inform the public about the product, the functioning of the company, and various schemes offered by the company.

10.1.3 Role of Communication in Business

Communication plays a very important role in an organisation. In fact, it is said to be the lifeline of the organisation. Everything in the universe, human or otherwise, communicates; though the means of communication may be very different. Communication is very crucial and unavoidable, as we have certain views and opinions, which we want to convey to another person, group or even to the outside world. Communication in an organisation is inevitable. Departments communicate on a periodic basis in respect to daily activities and the organisation's relationship with the external world. This is done via written and unwritten means, either planned or impromptu. It could be hierarchical, that is, from top to bottom or vice versa. It could be formal, informal, vertical, horizontal or diagonal. Irrespective of the means, modes or types of communication, occurrence of communication is essential and of prime importance.

Communication within an organisation could be grapevine or rumour. In totality, communication in an organisation is very complex and needs to be correctly managed handled and monitored to avert chaos, crisis or conflict. The basic functions and roles of the management cannot be conducted without communication. Planning organising, coordinating, budgeting, monitoring, controlling, staffing, delegation; including marketing, production, financing, staffing (human resource managing), research and development, purchasing, selling, etc. cannot be coordinated, harnessed and their goals achieved devoid of communication. Communication plays a key role in meetings, annual general meeting, ordinary meeting, urgent meeting, etc.

The effectiveness of an organisation also depends on the success of its meetings where goals to be achieved, targets to be met and activities to be carried out are ironed out and discussed. If the ideas are not comprehended at meetings, the workers are bound to then one need to be sure that the workers will mess up everything. Thus, the chairman of the meeting must be an effective speaker or communication capable of ensuring that everyone got what has been discussed correctly. This will help eradicate rumours and grapevine and eventually achieve set standards, goals and/or objectives. In conclusion, everyone in an organisation needs to have good communication skill, not the boss only, but also the subordinates. It is what all of us (workers) need to jointly strive to achieve the set goals. Remove communication in an organisation, we are going to have dead entity, good for nothing and worth been shut down. Communication is the backbone for organisation's success.

10.1.4 Principles of Communication in Business

Communication is complex. While listening to or reading someone else's message, we often filter what is being said through a screen of our own perceptions. Thus our preconceived notions and opinions become one of the major barriers to communication. There is an old communications game-telegraph that is played in a circle. A message is whispered around from person to person. What the exercise usually proves is how profoundly the message changes as it passes through the distortion of each person's inner "filter". Communication, when effectually conducted, can assist in building sturdy relationships and harmonious working conditions. It also simplifies the process of sharing the best of ourselves with others There are certain basic principles that need to be followed while conversing informally with a colleague, addressing a conference or meeting, writing a newsletter article or formal report; they are as follows:

1. *Be direct and concise:* Be clear about the message and the subsequent meaning you wish to convey. Make your point upfront with minimal preamble. Communicate as directly, concisely and economically as possible, almost as if you have to pay for every word. Frankly, people do pay for every word-with their precious time and sharing of mind. Never lose sight of this principle.

2. *Be honest and genuine:* Words are uttered and written by you, but true wisdom and inspiration worth reading and hearing comes from within. If you are honest and genuine about your opinions and express them well, people will be attentive and respond with kindness. They will share and trust and feel comfortable doing business with you. In time, they will follow you, which is the essence of leadership. It occurs on an emotional level.

3. *Be present and open:* Experience the moment- the here and the now. You can only learn from the past and plan, but the present packs a tremendous amount of information and content. Its presence is momentary after and then it is gone. Listen attentively, not just to what people are saying, but also to the meaning and feeling behind the words. That is truly priceless.

4. *Be confident but measured:* Be confident and strong in your views and statements, but remember that whomever you are communicating with has their own thoughts, feelings, perspectives, ideals and objectives. Do not shove things down their throats or threaten. That might elicit responses you did not expect or desire. Be apologetic only when you have truly behaved in a regretful manner.

10.1.5 Types of Communication

Communication of information, messages, opinions, speech and thoughts can be done via different forms of modern communication media, like Internet, telephone and mobile. Some of the basic ways of communication are by speaking, singing, sign language, body language, touch and eye contact. These basic ways of communication are used to transfer information from one entity to other. There are many different types of communication but they can be classified into four basic types.

1. *Verbal Communication:* Verbal communication includes sounds, words, language and speaking. Language is said to have originated from sounds and gestures. There are many languages spoken in the world. The basis of language formation is: gender, class, profession, geographical area, age group and other social elements. Speaking is an effective way of communicating and is again classified into two types viz. interpersonal communication and public speaking. Good verbal communication is an inseparable part of business communication. In a business, you come across people from various ages, cultures and races. Fluent verbal communication is essential, to deal with people in business meetings. Also, in business communication self-confidence plays a vital role which when clubbed with fluent communication skills can lead to success.

Notes Public speaking is another verbal communication in which you have to address a group of people. Preparing for an effective speech before you start is important. In public speaking, the speech must be prepared according to the type of audience you are going to face. The content of your speech should be authentic and you must have enough information on the topic you have chosen for public speaking. All the main points in your speech must be highlighted and these points should be delivered in the correct order. There are many public speaking techniques and these techniques must be practiced for an effective speech.

2. *Non-verbal Communication:* Non-verbal communication involves physical ways of communication, like, tone of the voice, touch, smell and body motion. Creative and aesthetic non-verbal communication includes singing, music, dancing and sculpturing. Symbols and sign language are also included in non-verbal communication. Body language is a non-verbal way of communication. Body posture and physical contact convey a lot of

Notes

information. Body posture matters a lot when you are communicating verbally to someone. Folded arms and crossed legs are some of the signals conveyed by a body posture. Physical contact, like, shaking hands, pushing, patting and touching expresses the feeling of intimacy. Facial expressions, gestures and eye contact are all different ways of communication. Reading facial expressions can help you know a person better.

Example:

(a)   The face includes frowning, smiling and grimacing.

(b)   The eyes can signal by direction of gaze.

(c)   The body offers posture positions of arms and legs and distancing.

(d)   Voice includes tone and speech rhythm.

3.   *Written Communication:* Written communication is writing the words which you want to communicate. Good written communication is essential for business purposes. Written communication is practiced in many different languages. E-mails, reports, articles and memos are some of the ways of using written communication in business. The written communication can be edited and amended many times before it is communicated to the second party to whom the communication is intended. This is one of the main advantages of using writing as the major means of communication in business activity. Written communication is used not only in business but also for informal communication purposes. Mobile SMS is an example of informal written communication.

Example: Written communication requires background skills such as:

(a)   Academic writing,

(b)   Revision and editing,

(c)   Critical reading

(d)   Presentation of data

4.   *Visual communication:* The last type of communication is the visual communication. Visual communication is visual display of information, like topography, photography, signs, symbols and designs. Television and video clips are the electronic form of visual communication. Effective communication is essential for the success of any type of business. Informally too, nothing can be achieved without proper communication. Therefore, developing communicative skills is a must. One must understand that all the four types of communication are equally important and one must develop communicative skills in all the mediums. Communicative media is growing day by day to ensure clarity and to eliminate the ambiguity in communication.

Caselet   **Microsoft "Bill Gate's Own Culture Club"**

"It all comes from the top", Microsofters say over and over again, when speaking of Bill Gates and his influence on the organization. "He wants to be Henry Ford, Andrew Carnegie, and the Rockefellers all rolled together," claims a critic. In a way, Gates deserves to be the arrogant dictator. He's the one who understood the value of the little program called DOS

Contd....

(Disk Operating System) and licensed it to IBM. Now he's the second richest1 man in the United States. He expects his employees to have the same guts, drive, and dedication that he does. He creates an excitement that his workers find alluring. "It feels really good to be around really bright people, to be part of the energy, the growth, all that money," observes Ray Bily, a former microsofter.

Part of the culture – the Microsoft way – is hiring the right people, those who share Microsoft assumptions and values. Gates likes them young; half his employees are now hired right from college, and he'd like to increase that to 80 per cent. (The original Microsoft staff is now aging into its thirties.) Since the company has recently experienced some serious challenge from the competition, the new twenty-something employees are even more driven, a lot less informal than the oldsters. As the organization grows larger (15000 employees in all), it gets harder to control exactly what type of people are hired. Karen Fries notes, "We've just grown so fast. The real challenge is to find people who have the religion."

To instil the religion, Microsoft sends new hires such as marketing staff to Marketing Managers Boot Camp, a three week training camp in The Microsoft Way. One employee who lasted only three months recalls, "It was like camp. You all wear company T-Shirts; go through brainwashing on the Way." Rites and rituals, systems and procedures, even stories and myths are clearly part of the Way.

How does Microsoft use its culture to create a sustained competitive advantage? Firstly, as a leader Gates is never satisfied with being No. 2 in any arena Microsoft enters. He uses small, young, aggressive teams to get jobs done. And he maintains a vision: a computer in every home (with, of course, Microsoft products). Secondly, Microsoft is not shy about imbuing its employees with strong shared assumptions and values, which strengthen their productivity as individuals and as a whole. Finally, the company responds quickly to change because it values flexibility as an important factor in doing business. Certainly there are obstacles along the Information Highway. But Microsoft is likely to find a way around them, or through them. If not, the company will redefine them.

Source: Michael Meyer, "Culture Club," Newsweek, July 11, 1994, pages 38–44.

Self Assessment

State whether the following statements are true or false:

1. It is three-way exchange of ideas and information that leads to a common understanding.

2. Encoding is the process where the message is interpreted for its content.

3. Communication within an organisation could be grapevine or rumour.

10.2 Tips to Improve Workplace Communication

The ability to communicate effectively is important in relationships, education and work. Here are some steps and tips to help you develop good communication skills.

1. *Clear and Direct:* Be certain the information you need to convey—whether it is spoken or written—is clear and directly communicated. Use language that is specific and unambiguous. Check that the receiver understands the message as you intended. Avoid acronyms when there's a chance they will be unclear. Passing information from one person to the next is the purpose of workplace communication. If your communication isn't complete and accurate, it can cause confusion instead of clarity. Carefully plan your

communication to be sure you are passing along the correct information and the right amount so those you are communicating with understand what you want to say.

2. *Actively Listen:* Becoming an active listener means you make a conscious effort to truly hear what the other person is saying—in their words as well as their body language. Practice holding off thinking about how to respond or interrupting until you have thoroughly heard what they are saying. It should come as no surprise that the best communicators are also the best listeners. Listening is an important communication skill that is seldom done well. In order to actually share information with another person, you have to hear what is being communicated. This way you can respond to the actual message. Most conflict stems from poor listening. To help learn how to listen well, take time to repeat what you here from the other person. Simply paraphrase what you heard to verify accuracy. This will cut down on conflict and vastly increase the effectiveness of your communications.

3. *Paraphrase:* The goal of paraphrasing is to ensure you are clear about what has been said and let the speaker know that you care about what he or she is communicating. Both are equally important in effective communication. Use a variation on "What I hear you saying is . . ." to accomplish this.

4. *Face-to-Face:* Whenever you have difficult information to convey or something that could result in many questions, choose to have a direct face-to-face conversation. You will also have the huge benefit of non-verbal communication cues including tone of voice, facial expressions and other body language.

5. *Be Respectful:* This means using the other person's name, looking them in the eye, and nodding to aid in demonstrating you understand what they are saying. If you are communicating in writing, reread before sending your message to ensure that it could not be misinterpreted or taken as disrespectful. When on the phone, don't multi-task even if you think the person on the other end of the line does not know that you are.

6. *Message and Medium:* Some of us are better communicating in writing and some are better at speaking. Some of us are better reading information and some at listening to information. In most cases, it depends on the message being delivered and received. When you need to deliver a message, consider whether it should be spoken or written depending on the content as well as the preference of your receiver.

7. *Tailor Conversation to Audience:* Communicating with your boss, co-worker, customer or supplier may require a slightly different style. With your boss, be careful to pick the right time, and ask for what you need and what you expect they can reasonably deliver. For a co-worker, be direct, transparent, and open-minded. And if a customer or supplier calls with a problem, listen carefully, apologize if necessary even if it wasn't your fault, and offer a solution.

8. *Effective Texting:* More and more of our workplace communication is done via email, voice mail and text messaging. There are advantages and disadvantages to each of these, depending on the message and the audience. Texting can be especially effective when a quick question or answer is required without further explanation or repeated follow up, e.g., "What time is the budget meeting?" But don't text when it cannot effectively communicate your message.

9. *Make the Most of Meetings:* Way too many of us spend time in meetings that are unproductive and often unnecessary. Demand that those calling a meeting provide an agenda, hold to the appointed start and end time, and have only the right people in attendance. Ensure that the work done in the meeting warrants the time and resources taken away from those working independently.

10. *Stay Positive:* Regardless of the conversation, try to keep it positive. Even the harshest feedback can and should be delivered in a positive, supportive, team-centric manner. Stay focused on behaviour or performance and not character. When you are on the receiving end, avoid getting triggered by difficult messages. Keep in mind the bigger picture and the long term implications.

11. *Communicate honestly:* People know when something isn't adding up. If you try to communicate something that isn't totally true and honest it will eventually be revealed. It's difficult to maintain dishonest communication in the workplace (or anywhere else) because it gets too complicated to hold all of the stories together. Instead of saying things that aren't totally true, just say less. Speak the truth and leave the rest for later or don't say it at all if it's not true and honest.

12. *Bring non-verbal and verbal communication together:* Communication is both non-verbal and verbal. Sometimes, a person says one thing but acts in a different way. For instance, it's not uncommon to hear someone say "Yes" but shake his head in a horizontally which indicates "No" in a non-verbal way (in the US culture that is). This sends mixed messages. Bring your communication together by being conscious that your non-verbal and verbal messages are in agreement.

13. *Ask questions:* Asking questions is a good way to verify what you hear so you respond appropriately. Questions let the other person have the chance to clarify what they said. It also allows you to hear a response in a different way or just hear it again in order to be sure of what you heard. Make sure your questions relate specifically to what is being said. Don't change the conversation by bringing in a question on a totally different matter. Also use questions to gather quick additional points that help you understand the conversation.

These tips for improving workplace communication can be implemented and perfected by anyone. Take an honest look at your own communication skills then choose one of the above to improve upon. The work you put into improving your communication skills will pay dividends both at work and at home.

Task How will you ensure effective communication in a large manufacturing organization?

Self Assessment

State whether the following statements are true or false:

4. The goal of paraphrasing is to ensure you are clear about what has been said and let the speaker know that you care about what he or she is communicating.

5. Communicating with your boss, co-worker, customer or supplier may require a same style.

6. Communication is both non-verbal and verbal.

10.3 Managing Conflict

We define conflict as a disagreement through which the parties involved perceive a threat to their needs, interests or concerns. Conflicts take place when people (or other parties) perceive that, as a consequence of a disagreement, there is a threat to their needs, interests or concerns. Although conflict is a normal part of organization life, providing numerous opportunities for

growth through improved understanding and insight, there is a tendency to view conflict as a negative experience caused by abnormally difficult circumstances. Disputants tend to perceive limited options and finite resources available in seeking solutions, rather than multiple possibilities that may exist 'outside the box' in which we are problem-solving. Conflict can occur when a disagreement can't be easily resolved. Although conflict can be a normal part of our relationships and is 'healthy' if well-handled, it can sometimes escalate and become destructive. Conflict is a stressor that can take over your life if you let it. Conflict at work takes many forms. It may be that two workers simply don't get on; or that an individual has a grievance against their manager. Conflict may take the form of rivalry between teams; or it may be apparent by the lack of trust and cooperation between large groups of employees and management.

Communication is the keystone of any company. It may seem obvious, but the best way to get out of a crisis situation is always communication and you have to be able to talk to your workmates.

1. *Managing emotions:* Human nature is such that when an individual feels threatened their first reaction is to defend themselves. In the face of provocation, insults, verbal or physical abuse, the temptation is to respond in the same way. But resorting to this will only inflame an already fuelled situation. To get out of a dead end you need to stick to the facts without entering into emotional territory. Emotional escalation leads to nothing, so it's important to control your emotions.

2. *Assert yourself with tact:* Find neutral ground that satisfies both parties. Don't give up your opinions, but accept that others can have a different point of view. Adopting a constructive attitude with the person you're faced with will help both of you clearly express yourselves, with respect for each other.

3. *Mediation: the last resort:* When you've tried everything or the conflict has got so out of hand that communication and negotiation are impossible, resorting to third person mediation can unblock the situation. As a neutral and impartial person, a neutral mediator will be able to give a fresh and objective perspective on the crisis. This third person can be chosen in the company (a union representative for example), but more and more companies now call in companies who specialise in managing conflicts between co-workers.

This solution has the advantage of allowing the parties involved to face the situation with an independent person, which will make each person ask themselves the right questions, develop their sense of responsibility and finally find a solution to the problem.

10.3.1 Different Types of Conflict

Finding a solution to conflict has to start with the cause; a good analysis of the situation will allow for better crisis management.

1. *Generation conflicts:* These are increasingly common. Rash, inexperienced junior employees clash with stalwart senior employees who won't change their working methods of years. These conflicts are certainly among the easiest to solve if everyone is willing to re-establish dialogue, train older employees in new technology and make their junior colleagues make the most of their older workmates' experience and advice with patience, tolerance and an open mind. You need to know how to express your needs but also recognise weaknesses.

2. *Personality conflicts:* Obviously you can't get on with everyone in terms of your way of thinking, personality and values, and this can easily create tension. Though different points of views are normal, they shouldn't cause automatic confrontation. Adopting an

avoidance strategy while staying polite can be a solution for people who don't have to work together directly. If you do, it's best to avoid discussing sensitive subjects. But when this incompatibility is such that it prevents all forms of communication, other more radical solutions need to be considered.

3. *Conflict of interests:* Bonuses, pay-rises and promotions create power struggles within companies. However, this way of functioning is sometimes used by some companies to create emulation (ambition to equal or excel) among their employees: a climate of cleverly maintained conflict makes employees attain better results! But when this rivalry starts to affect performance, it may be necessary to redefine each employee's territory and call in Human Resources to deal with the matter.

4. *Underlying conflicts:* Within a company you can find that only one person has a problem with management or the team. This can quickly become a handicap for a team, but there are cases where it can be beneficial. Such a person may act as an indicator of a deeper crisis that no one dares to talk about. In this situation, communication will reveal whether the person in question is a part of the conflict or could be part of the solution. But it could affect the survival of the team and even the company, so it's essential to find the source of the problem quickly and fix it.

10.3.2 Conflict Categories

Conflict tends to fall into two broad categories:

1. *Conflict between Individuals:*

    (a) *Colleagues:* Everybody will, at some time, have problems or concerns with someone else at work. An individual might feel angry or upset about a colleague.

    There may be:

    ♦   a clash of personalities

    ♦   strong differences of opinion overwork

    ♦   an 'overspill' from personal issues outside work.

    Conflict between work colleagues can often lead to accusations of bullying or harassment. Good managers should always be ready to talk. Try to create a climate of open and positive dialogue. If an employee feels able to approach you at an early stage, then problems can often be nipped in the bud before they become formal grievances.

    (b) *An employee and their manager:* What if you are a manager and the conflict involves you? It is not always easy to identify potential conflict if you are seen to be the cause of it.

    An employee may feel that:

    ♦   your management style is too authoritarian or too weak

    ♦   you favour other work colleagues when you assign tasks.

An employee may talk to you about how they feel, or they may suddenly confront you with a list of grievances. It can be hard for employees to express their concerns with senior colleagues. If they feel unable to talk to you they may go to another manager or an employee representative.

2. *Conflict between Groups:*

    (a) *Teams:* The way a team works can be quite complex. There are often subtle balances between personalities and work responsibilities to be maintained.

    Conflict within teams, or between teams, can often take the form of:

    ♦   rivalry between colleagues

    ♦   disagreements over a team's goals or shared values

    ♦   resentment that one team is not pulling its weight.

    A lot has been written about the way teams form and develop. Four distinct phases are as follows:

    ♦   *Forming:* the team is uncertain how to proceed and behaviour is often reserved

    ♦   *Storming:* the team often argues about who should do what and how

    ♦   *Norming:* the team agrees its core tasks and individual roles within the team

    ♦   *Performing:* the team operates along the agreed 'norms'.

    It is in the 'storming' phase that conflict is most likely – as people form cliques and jostles for position. However, this conflict is essential to the development of a successful team.

    (b) *Groups of employees and management:* Conflict between groups of employees and their employers is often characterised by the classic 'us and them' mentality. You may be aware of:

    ♦   a general resentment or anger towards senior management

    ♦   poor morale and low levels of motivation.

    Conflict may become focused on specific issues. For example, groups of employees may feel very strongly about:

    ♦   health and safety

    ♦   rates of pay

    ♦   redundancies

    ♦   lack of proper consultation.

10.3.3 Causes of Conflict in the Workplace

Some of the issues that can cause conflict between individuals and groups at work include:

1. **Poor Communication:** Poor communication is one of the main causes of conflict between employees in the workplace. This can result in a difference in communication styles or a failure to communicate.

Example: A manager reassigned an employee's task to the employee's co-worker but failed to communicate the reassignment to the employee. This may cause the employee to feel slighted, which can transform into animosity among the two employees and the manager. Failing to communicate in the workplace may cause employees to make incorrect assumptions and believe workplace gossip. Poor communication in the workplace not only causes conflict but decreases productivity and employee morale.

2. *Difference in Personalities:* A difference in personalities among employees is another cause of workplace conflict. Employees come from different backgrounds and experiences, which play a role in shaping their personalities. When employees fail to understand or accept the differences in each other's personalities, problems arise in the workplace.

Example: An employee may possess a straightforward personality that results in him speaking whatever is on his mind, even if the timing is inappropriate. The employee with the straightforward personality may offend a co-worker that does not possess the same type of personality. The co-worker may feel as if the employee is rude or lacks the authority to deal with her in such a straightforward manner.

3. *Different Values:* Similar to personalities, the values of employees differ within the workplace. A difference in values is seen clearly when a generational gap is present. Young workers may possess different workplace values than older workers. The difference in values is not necessarily the cause of employee conflict in the workplace, but the failure to accept the differences is. When employees fail to accept the differences, co-workers may insult each other's character and experiences. When insults occur, the conflict intensifies until the right solution is offered and accepted.

4. *Competition:* Unhealthy workplace competition is a cause of employee conflict. Some industries foster competitive environments more than others. When salary is linked to employee production, a workplace may experience strong competition between employees. Competition that is not properly managed can result in employees sabotaging or insulting one another, which creates a hostile work environment. Unhealthy workplace competition discourages teamwork and promotes individualism.

5. *Conflicting Goals:* Associates may have different viewpoints about an incident, plan, or goal. Problems in the workplace can occur when associates are responsible for different duties in achieving the same goal. Take for instance the scenario of a patient being admitted to a hospital. The business office is responsible for documenting financial information and getting paid, whereas the nursing staff is responsible for the patient's physical assessment and immediate admission. Both objectives are important and necessary, but may cause conflict.

Example: Imagine a bank teller's dilemma in a situation where he is being given conflicting responsibilities by two of his managers. The head teller has instructed the staff that rapid service is the top priority, whereas the community relations director has instructed the staff that quality customer service is the top priority. One can imagine how quickly problems could arise between the teller and the head teller if speed is sacrificed for quality time with the customer.

6. *Conflicting Pressures:* Conflicting pressures can occur when two or more associates or departments are responsible for separate actions with the same deadline.

Example: Manager A needs Associate A to complete a report by 3:00 p.m., which is the same deadline that Associate B needs Associate A to have a machine fixed. In addition, Manager B (who does not know the machine is broken) now wants Associate B to use the unbeknownst broken machine before 3:00 p.m. What is the best solution? The extent to which we depend on each other to complete our work can contribute greatly to conflict

7. *Unpredictable Policies:* Whenever company policies are changed, inconsistently applied, or non-existent, misunderstandings are likely to occur. Associates need to know and

understand company rules and policies; they should not have to guess. Otherwise, unpredictable things can occur such as associates dressing inappropriately or giving out wrong information. The absence of clear policies or policies that are constantly changing can create an environment of uncertainty and conflict.

10.3.4 Sources of Workplace Conflict

The effective management of workplace conflict requires an understanding of the nature and sources of conflict in the workplace. Conflict occurs when there is a perception of incompatible interests between workplace participants. This should be distinguished from disputes. Disputes are merely a by-product of conflict. They are the outward articulation of conflict. Typical disputes come in the form of formal court cases, grievances, arguments, threats and counter threats, etc. Conflict can exist without disputes, but disputes do not exist without conflict. Conflict, however, might not be so easily noticed. Much conflict exists in every workplace without turning into disputes. The first step in uncovering workplace conflict is to consider the typical sources of conflict. There are a variety of sources of workplace conflict including interpersonal, organizational, change related, and external factors.

1. *Interpersonal:* Interpersonal conflict is the most apparent form of conflict for workplace participants. It is easy enough to observe the results of office politics, gossip, and rumours. Also language and personality styles often clash, creating a great deal of conflict in the workplace. In many workplaces, there are strong ethno-cultural and racial sources of conflict as well as gender conflict. This may lead to charges of harassment and discrimination or at least the feeling that such things exist. People often bring their stresses from home into the office leading to further conflict. An additional source of workplace conflict can be found in varying ideas about personal success. The strong drive for work related achievement in some participants can clash with participants who do not emphasize work-related success in their lives.

    Did u know? There are a variety of ways to uncover such sources of conflict, including the use of personality testing instruments like Myers-Briggs, Thomas-Kilman, FIRO-B, and Personality Dynamics Profiles. In addition to this, confidential surveys, interviews and focus groups can be a good way of uncovering interpersonal sources of conflict.

2. *Organizational:* There are a number of organizational sources of conflict. Those relating to hierarchy and the inability to resolve conflicting interests are quite predominant in most workplaces. Labour/management and supervisor/employee tensions are heightened by power differences. Differences in supervisory styles between departments can be a cause of conflict. Also there can be work style clashes, seniority/juniority and pay equity conflict. Conflict can arise over resource allocation, the distribution of duties, workload and benefits, different levels of tolerance for risk taking, and varying views on accountability. In addition, conflict can arise where there are perceived or actual differences in treatment between departments or groups of employees.

    Caution A thorough review of the workplace is suggested for such sources of conflict. Again surveys, interviews and focus groups can help reveal these sources of conflict. Additionally, organizational sources of conflict can be predicted based upon best practices from similar organizations. All organizations experience such conflict. Much can be learned from the lessons of similar organizations who have made a study of this source of conflict.

3. *Trends/Change:* The modern workplace has significant levels of stress and conflict related to change-management and downsizing. Technological change can cause conflict, as can changing work methodologies. Many workplaces suffer from constant reorganization, leading to further stress and conflict. In line with reorganization, many public and non-profit organizations suffer from downloading of responsibilities from other organizations.

    Workplace analysts should review the history of the particular organization, reaching back as far as 10 years to determine the level of churn that has taken place. Generally speaking, the more change and the more recent the change, the more likely there will be significant conflict.

4. *External Factors:* External factors can also lead to conflict in the workplace. Economic pressures are caused by recession, changing markets, domestic and foreign competition, and the effects of Free Trade between countries. Conflict arises with clients and suppliers effecting customer service and delivery of goods. Also public and non-profit workplaces in particular can face political pressures and demands from special interest groups. A change in government can have a tremendous impact, especially on public and non-profit organizations. Funding levels for workplaces dependent upon government funding can change dramatically. Public ideologies can have an impact on the way employees are treated and viewed in such organizations.

Self Assessment

Fill in the blanks:

7. …………………… take place when people (or other parties) perceive that, as a consequence of a disagreement, there is a threat to their needs, interests or concerns.

8. …………………… communication is one of the main causes of conflict between employees in the workplace.

9. …………………… workplace competition is a cause of employee conflict.

10.4 Tips for Managing Conflict

Here are some steps and tips to help you manage conflict.

1. *Accept conflict:* Remember that conflict is natural and happens in every ongoing relationship. Since, conflict is unavoidable we must learn to manage it. Conflict is a sign of a need for change and an opportunity for growth, new understanding, and improved communication. Conflict can not be resolved unless it is addressed with the appropriate individual(s).

2. *Be a calming agent:* Regardless of whether you are being a sounding board for a friend or you are dealing with your own conflict, your response to the conflict can escalate or decrease the intensity of the problem. To be calming, provide an objective or neutral point of view. Help plan how you are going to work with the other party to achieve resolution.

3. *Listen actively:* Work through how you feel, what the specific problem is and what impact it is having on you. Use I -based statements to help do this.

    ❖   I feel (strongest feeling)

    ❖   When you (objective description of the behaviour)

❖   Because (specific impact or consequences)

❖   I would like (what you want the person to do in the future to prevent the problem)

4.   *Analyze the conflict:* Analyze the conflict to help clarify the specific problem. Some questions that you may ask are:

❖   What triggered the conflict?

❖   Who are you angry with?

❖   What are you not getting that you want?

❖   What are you afraid of losing?

❖   Is your conflict/anger accurate or over exaggerated?

❖   How can your conflict be resolved?

5.   *Model neutral language:* When people are in conflict they use inflammatory language such as profanity, name calling, and exaggerations that escalate the conflict. Restate inflammatory language in a more objective way to help make the information less emotionally laden and more useful for future discussions.

6.   *Separate the person from the problem:* View the problem as a specific behaviour or set of circumstances rather than attributing negative feelings to the whole person. This approach makes the problem more manageable and hopeful than deciding you "can't stand" this person any longer.

7.   *Work together:* This requires that each person stop placing blame and take ownership of the problem. Make a commitment to work together and listen to each other to solve the conflict.

8.   *Agree to disagree:* Each person has a unique point of view and rarely agrees on every detail. Being right is not what is important. When managing conflict, seeking the "truth" can trap you rather than set you free. For example, consider the differing testimony of witnesses that all see the same car accident. Truth is relative to the person's point of view.

9.   *Focus on the future:* In conflict, we tend to remember every single thing that ever bothered us about that person. People in conflict need to vent about the past but they often dwell on the past. Often the best way to take ownership of the problem is to recognize that regardless of the past, you need to create a plan to address the present conflict and those that may arise in the future.

10.   *"Move past positions":* A position is the desired outcome of a conflict. Often the position is "I need a new roommate" or "This person is impossible to live with". Positions are not negotiable and result in impasse. To resolve conflict, each person has to "move past positions".

11.   *Share your interests:* To solve interpersonal conflict, all parties must talk about their interests or the WHYs behind their positions. They must share their true interests and work together to find a solution that satisfies those interests. Common interests for students are to sleep, study, entertain and relax in a comfortable atmosphere. Often their interests are more intangible such as respect, belonging, friendship, and fun. When individuals have differing lifestyles, values, and schedules the need to discuss their differences is critical in managing conflict. You must develop a balanced plan of give and take that satisfies everyone's interests.

12.   *Be creative:* Finding a resolution to the problem that satisfies everyone requires creativity and hard work. Be careful not to give in simply to avoid conflict or maintain harmony.

Agreements reached too early usually do not last. Generate silly options to begin thinking "outside of the box" of original positions.

13. *Be specific:* When problem solving be very specific. For example, if you are using a roommate agreement to facilitate the discussion make sure that everyone fully understands each point that is written down. Clarify ambiguous terms that each person may interpret differently.

14. *Maintain confidentiality:* Encourage others who are in conflict to deal directly with the person they are in conflict with. Avoiding the conflict and venting to others tends to escalate the conflict and fuels the rumor mill. If rumors are already part of the conflict, encourage them to work out a plan to put an end to the gossip. Do your part to quell rumors.

Self Assessment

State whether the following statements are true or false:

10. Conflict is a sign of a need for change and an opportunity for growth, new understanding, and improved communication.

11. When people are in conflict they use inflammatory language.

12. A position is the undesired outcome of a conflict.

10.5 Dynamics of Change

Change is a constant, a thread woven into the fabric of our personal and professional lives. Change occurs within our world and beyond — in national and international events, in the physical environment, in the way organizations are structured and conduct their business, in political and socioeconomic problems and solutions, and in societal norms and values. As the world becomes more complex and increasingly interrelated, changes seemingly far away affect us. Thus, change may sometimes appear to occur frequently and randomly. We are slowly becoming aware of how connected we are to one another and to our world. Organizations must also be cognizant of their holistic nature and of the ways their members affect one another. The incredible amount of change has forced individuals and organizations to see "the big picture" and to be aware of how events affect them and vice versa.

10.5.1 Change in Organizations

Organizational development efforts, whether facilitated by an outside expert or institutionalized and conducted on an ongoing basis, bring about planned change within organizations and teams. However, they are but one type of change that occurs in organizations, for change can be both planned and unplanned and can occur in every dimension of the universe. A change in chief justice, appropriations, or staff support can dramatically alter the character of a judicial education organization. Institutional alignment of the state bar, local law schools, area colleges and universities, and judicial professional associations may yield similar impacts.

Planned change takes conscious and diligent effort on the part of the educator or manager. The concept of the change master is a person or organization adept at the art of anticipating the need for and of leading productive change. As a way to reinforce the judicial educator's role in the change process, this term will be used to refer to educators and managers who are interested in effecting change in their organizations or work teams.

Change will not occur unless the need for change is critical. Because individuals and organizations usually resist change, they typically do not embrace change unless they must. One of the consultants describes how "pain" drives change. Pain occurs when people pay the price for being in a dangerous situation or for missing a key opportunity. As such, change is needed to relieve the pain. According to this perspective, change will not occur just because "it's a good idea." It will only occur when the pain of an individual or an organization is sufficiently high to justify the difficulties of assimilating change. Therefore, a change master must focus on the absolute need of the organization to change, rather than simply on the benefits of the anticipated change. Effective change masters understand this, and they then assist others in recognizing that the organization has no choice but to change. The organization cannot afford to maintain the status quo; change is simply that critical.

Lewin believed that behaviour within an organization was a result of the dynamic balance of two opposing forces. Change would only occur when the balance shifted between these forces. Driving forces are those forces which positively affect and enhance the desired change. They may be persons, trends, resources, or information. Opposing them are the restraining forces, which represent the obstacles to the desired change. As these two sets of forces exist within an organization, they create a certain equilibrium. That is, if the weights of the driving and restraining forces are relatively equal, then the organization will remain static. As changes occur and affect the weight of either one of the forces, a new balance will occur, and the organization will return to what Lewin called "quasi-stationary equilibrium." Individuals practicing their vocation in the context of a political organization may intuitively employ these concepts in defining and redefining what change is possible. Judicial educators operate in such a context.

Force-field analysis assists in planning in two major ways: (a) as a way for individuals to scan their organizational context, brainstorming and predicting potential changes in the environment; and (b) as a tool for implementing change. In the former, forcefield analysis becomes a method of environmental scanning (which is useful in strategic planning), whereby organizations keep abreast of impending and potential changes — from societal trends and potential budget constraints to staff turnover and purchases of new office equipment. The more change can be anticipated, the better individuals and organizations are prepared to deal with the resulting effects. The second use of forcefield analysis is similar, offering a way to systematically examine the potential resources that can be brought to bear on organizational change and the restraining forces that can be anticipated. This advance planning and analysis assists in developing strategies to implement the desired change.

Example: A judicial educator wishes to introduce a computer class for a particular group of judges. In her role as a change master, she identifies the driving forces as follows:

(a)   most judges are presently obtaining the necessary equipment,

(b)   software and databases are available that are user-friendly and appropriate,

(c)   computers can help judges handle information quickly and efficiently, and

(d)   the use of computers as information sources allows court personnel to perform other functions.

On the other hand, restraining forces may include the following:

(a)   judges have limited time for attending additional courses;

(b)   they appear to be intimidated by computers, so they passively resist using them; and

(c)   they feel more comfortable utilizing human resources for their judicial research rather than a computer and databases.

Forcefield analysis provides the necessary information for the judicial educator to plan most effectively for change. If he or she is more aware of some of the potential pitfalls that can accompany the planned change, steps can be taken in advance to overcome them. One strategy for successfully implementing change is to confront the potential obstacles at the outset. In order for the educator to be proactive, however, the positive driving forces and the negative restraining forces must be listed, so that a strategy for change can include enhancing or adding to the positive forces, while decreasing or minimizing the negative forces. In this process, skills such as coalition building, networking, conflict resolution, and the appropriate utilization of power are necessary.

10.5.2 Process of Change in Organizations

A method such as forcefield analysis is the beginning step of any planned change. There are many different models for the change process are as follows:

- The assessment of the current scenario.

- The creation of a preferred scenario.

- Designing a plan that moves the system from the current to the preferred scenario.

Both planning and change must be directed toward a specific goal. Once the need for change has been determined, one follows the steps of the model in sequence. While these steps could each be examined in detail, only step three will be discussed in an in-depth manner here. The first step, "assessing the current scenario," can be accomplished through a mechanism such as forcefield analysis. It provides the necessary information on the forces that can facilitate the desired change and the forces that will resist and deter the change. Step two, "creating a preferred scenario," is often accomplished through team effort in brainstorming and developing alternative futures. While the need that precipitates the change is clearly compelling, there may be several ways in which the change could actually occur within the organization. It is important to examine the various alternatives thoroughly.

The third step of the process, "devising a plan for moving from the current to the preferred scenario," includes the strategies and plans that educators and managers must develop to overcome the restraining forces in an organization. This is a political process, requiring individuals to harness and utilize power. Power is necessary for change to occur. It is neither inherently good nor bad; it simply assists individuals in accomplishing their goals. Change masters must gather support for the desired change throughout the organization, using both formal and informal networks. The multiplier or "bandwagon" effect, he notes, is often necessary to rally enough support for the change.

10.5.3 Key Roles in the Change Process

During this stage of planning, it is useful to distinguish the different roles associated with the change process. These roles must remain distinctive in order to implement planned change effectively. However, within different settings or systems, a judicial educator may play more than one role. The various roles that individuals can play are as follows:

Change Sponsor: Individual or group who legitimizes the change.

Change Advocate: Individual or group who wants to achieve a change but does not possess legitimization power.

Change Agent: Individual or group who is responsible for implementing the change.

Change Target: Individual or group who must actually change.

One of the most critical tasks for the educator in implementing change is to harness the support of an effective change sponsor. The sponsor is in a position to legitimize the change. Sponsorship is critical to implementing the desired change. Directly or indirectly, pain can motivate the sponsor to foster the planned change. Within the state judicial system, this sponsor may be the chief justice, the head of the education committee, or the state court administrator. Weak sponsors should be educated or replaced, even by someone at a lower level in the organization, or, he emphasizes, failure will be inevitable. Educators and managers are often in the position of change advocates, who perceive the need for change and desire and advocate the change, but who do not have the necessary organizational power to implement the change. Alternatively, these individuals may function as the change agent, with the responsibility (but again, not the power) to implement change. And, of course, in an organizational change effort, educators and managers may be part of the group affected by the change, or the change target. It is useful to consider each of these roles in planning strategies not only for implementation, but for gathering support for the change effort.

10.5.4 Strategies for Implementing Change

In order to move an organisation effort from the idea stage into implementation, educators and managers must also rally the resources and support of the organization.

- Information (data, technical knowledge, political intelligence, expertise).

- Resources (funds, materials, staff, time).

- Support (endorsement, backing, approval, legitimacy)

The first strategy in implementing a change would be to collect as many of these power tools as possible. As this occurs, individuals can "plant seeds of support" for the planned change. This is particularly important in helping others see the critical need for the planned change. It may be possible to plant these seeds before sponsorship of the change is sought so that the sponsor feels he or she is pro-actively responding to a critical need.

Another strategy is to "package" the change in a way that makes it less threatening and, therefore, easier to sell. For instance, it is easier to implement change of a product or a project when it is: (a) conducted on a trial basis; (b) reversible, if it doesn't succeed; (c) done in small steps; (d) familiar and consistent with past experience; (e) a fit with the organization's current direction; or (f) built on the prior commitments or projects of the organization. This packaging should be completed prior to submitting the organisation effort to the designated change sponsor, although that person needs to be involved in further assisting in the packaging and selling of the planned change.

Building coalitions is a strategy that often occurs throughout the entire phase of implementing the change. Support must be gathered from all areas which will be affected by the desired change, across different levels of the organization. It is always advisable to get the support of an immediate supervisor early on, although this may not always be possible. In such instances, other support could be gathered across the organization to influence the supervisor to reconsider lending support to the change efforts. Effective change masters use their informal networks and deal with any concerns or questions of supporters individually rather than in formal meetings. "Pre-meetings" can provide a safer environment for airing concerns about implementing change. In such settings, an individual may have the opportunity to "trade" some of the power tools that he or she has acquired in order to generate support. Additionally, some individuals will support a project or change effort for reasons that are fairly reactive: "If so-and-so supports it, then I will, too," or "If such-and-such state is moving in that direction, then we should, too." Obviously, the more change masters know about how particular individuals may react, the better able they are to plan for ways to garner support.

10.5.5 Forms of Change

Change has become the norm in most organizations. Adaptiveness, flexibility and responsiveness are terms used to describe the organizations that will succeed in two basic forms of change in organizations that will succeed in meeting the competitive challenges that businesses face. There are two basic forms of change in organizations: Planned change and unplanned change.

1. *Planned Change:* Planned change is change resulting from a deliberate decision to alter the organization. It is an intentional, goal-oriented activity. The goals of planned change are:

   ❖ Firstly, it seeks to improve the ability of the organization to adapt to changes in its environment.

   ❖ Secondly, it seeks to change the behaviour of its employees.

2. *Unplanned Change:* Not all change is planned. Unplanned change is imposed on the organization and is often unforeseen. Responsiveness to unplanned change requires tremendous flexibility and adaptability on the part of organizations. Examples of unplanned changes are changes in government regulations and changes in the economy.

   The Role of Change Agents: Change in organizations is inevitable, but change is a process that can be managed. The individual or group that undertakes the task of introducing and managing a change in an organization is known as a change agent. Change agents can be of two types:

   (a) *Internal Change Agents:* Change agents can be internal, such as managers or employees who are appointed to oversee the change process. Internal change agents have certain advantages in managing the change process. They are:

   ♦ They know the organization's past history, its political system, and its culture.

   ♦ Internal change agents are likely to be very careful about managing change because they must live with the results of their change efforts.

   There are also disadvantages of using internal change agents. They are:

   ♦ They may be associated with certain factions within the organization and may easily be accused of favouritism.

   ♦ Internal change agents may be too close to the situation to have an objective view of what needs to be done.

   (b) *External Change Agents:* Change agents can also be external, such as outside consultants. They bring an outsider's objective view to the organization.

   External change agents have certain advantages:

   ♦ They may be preferred by employees because of their impartiality.

   ♦ They have more power in directing changes if employees perceive the change agents as being trustworthy, possessing important expertise, and having a track record that establishes credibility.

   There are also disadvantages of using external change agents. They are:

   ♦ External change agents face certain problems, including their limited knowledge of the organization's history.

   ♦ They may be viewed with suspicion by organization members.

Notes

Task Carefully planned change often is assumed to be effective. Do you think unplanned change can sometimes be beneficial to an organisation? Discuss.

Self Assessment

Fill in the blanks:

13. The incredible amount of change has forced individuals and organizations to see .... and to be aware of how events affect them.

14. .... is an individual or group who wants to achieve a change but does not possess legitimization power.

15. .... change is change resulting from a deliberate decision to alter the organization.

Case Study **Fear of Going Private**

Several small communities in the same area decide to hire one private ambulance company to serve their population. A state environmental protection agency hires an independent contractor to clean up a hazardous waste site. A town hires civilians instead of police officers to direct traffic around local road construction sites. All of these are examples of privatization, or contracting public services to the private sector.

Forces of change bring together two different types of organizational culture – public and private. Sometimes, these cultures clash on shared assumptions and espoused values as well as artefacts. They may also clash in the way managers decide what to measure and control, how they allocate scarce resources, and how they set criteria for employee selection and promotion. Indeed, the shift from public to private service can be painful for many involved, and managers must make decisions carefully.

The biggest fear that privatization raises is loss of public jobs. "You need to make sure that privatization doesn't mean that hundreds of [public] employees are suddenly without jobs," says Chris Goodman, a contract coordinator for Los Angeles County. Los Angeles County has been on the frontier of privatization since the mid - 1980s and tries to counter the problem of layoffs by offering displaced employees jobs in related departments.

But the big payoff to the county – and others that follow suit – is savings. Los Angeles County saves about $50 million each year by contracting out services such as security and training. In addition, the county offers opportunities to small entrepreneurs, particularly women and minorities.

In a tight economy with an increasingly complex society, even the public sector is forced to change. "Change comes slowly in government," notes Chris Goodman. "People are generally inclined to go with the old tools, and the old tools are to reduce services or raise taxes. But as their problems increase, local and state governments are becoming more open to new ways of dealing with their problems." Managers at all levels – both public

---

and private – must be willing to accept and implement changes that will affect their organization's culture.

Questions:

1. What might be some differences in shared assumptions and espoused values between government agencies and private organizations?

2. How might the manager of a state agency work with a private contractor to blend organizational cultures successfully?

3. How might the same manager use Lewin's model for change to help state employees adjust to the change?

Source: "Going Private," Entrepreneur, November 1993, Page 10.

10.6 Summary

● Communication is the life blood of social as well as corporate world.

● Communication is the process by which we exchange meanings, facts, ideas, opinions or emotions with other people.

● It is an essential condition of our existence and the most important activity of ours.

● The word "communication" has been derived from Latin word "communicare/communis" that means to 'share' or 'participate'.

● Everybody knows that most of the time, through speech or writing or any other means like exchange of a common set of symbols; we are sharing information with other human beings.

● Communication is an exchange of facts, ideas, opinions or emotions by two or more persons.

● Communication is the process of sending and receiving messages.

● It is said to be effective only when the message is understood and when it stimulates action or encourages the receiver to think in new ways.

● Conflict can be very destructive in a workplace environment, and dealing with it is not easy, it is hard to define what causes conflict as every situation is different in every different workplace.

● Although conflict is a normal part of organization life, providing numerous opportunities for growth through improved understanding and insight, there is a tendency to view conflict as a negative experience caused by abnormally difficult circumstances.

● If an organisation wants to get ahead and win the competitive race, it must pro-actively initiate changes at a right time.

● Organisations can challenge the status quo through planned changes.

● The forces for change can be either internal (emanating from within an organisation) or external forces (coming from outside an organisation).

● People tend to resist change because of uncertainty, threatened self-interests, different perceptions and feelings of loss. Participation, education, communication, facilitation and negotiation are methods for overcoming this resistance.

10.7 Keywords

Change: Any alteration of the status quo.

Change Advocate: Individual or group who does not possess legitimization power, but desires a change.

Change Agent: Individual or group responsible for implementing the change.

Change Master: People and organizations adept at the art of anticipating the need for and of leading productive change; a term coined by Rosabeth Moss Kanter.

Change Sponsor: Individual or group who legitimizes the change.

Change Target: Individual or group who must actually change.

Communication: It is the sum of all the things one person does when he wants to create understanding in the mind of another.

Conflict: Conflict as a disagreement through which the parties involved perceive a threat to their needs, interests or concerns.

Decoding: It is the process of converting the encoded message back into its original form at the point of receipt.

Encoding: Conversion of data to some other form through transmission

Forcefield Analysis: A concept developed by Kurt Lewin, this analysis looks at two types of forces within organizations that either support or oppose change

Non-verbal Communication: Non-verbal communication is behaviour, other than spoken or written communication, that creates or represents meaning.

Organisational Change: Adoption of a new idea or behaviour by an organisation.

Planned Change: Change that is designed and implemented in an orderly and timely fashion in anticipation of future events.

Verbal Communication: When a message is communicated verbally and not in writing, by exchange the words in face to face communication or through telephone or through other visual aids.

10.8 Review Questions

1. Discuss the elements of communication.

2. What are the objectives of communication?

3. Highlight the role of communication in business.

4. Describe the principles of communication in business.

5. Distinguish between verbal and non-verbal communication.

6. Discuss the elements of communication.

7. What are the tips to improve workplace communication?

8. Throw some light on the causes of conflict in the workplace.

9. Discuss the sources of workplace conflict.

10. What is change? What are the most frequent causes of change?

11. How individual employees react to change?

12. Highlight the key roles in the change process.

Answers: Self Assessment

1.	False	2.	False
3.	True	4.	True
5.	False	6.	True
7.	Conflicts	8.	Poor
9.	Unhealthy	10.	True
11.	True	12.	False
13.	The Big Picture	14.	Change Advocate
15.	Planned		

10.9 Further Readings

Books   Aswathappa, K. (2007), "*Human Resource and Personnel Management*, Tata McGraw Hill.

Bhattacharyya, D. K. (2006), *Human Resource Management*, Excel Books.

Mathis, Robert L & Jackson, John H. (2007), *Human Resource Management,* Thomson.

Rao, P. L. (2004), *Comprehensive Human Resource Management*, Excel Books.

Rao, VSP (2005), *Human Resource Management,* Excel Books.

Online links   http://blog.seattlepi.com/workplacewrangler/2011/12/29/10-tips-to-improve-workplace-communication/

http://edis.ifas.ufl.edu/hr024

http://pratima11.wordpress.com/2010/09/20/1-discuss-various-meaning-of-communication-and-shed-light-on-the-significance-of-communication-in-human-society/

http://reggie1618.hubpages.com/hub/OBJECTIVES-OF-BUSINESS-COMMUNICATION

http://smallbusiness.chron.com/causes-employee-conflict-workplace-21264.html

http://wiki.answers.com/Q/What_are_the_elements_of_communication

http://www.fao.org/docrep/t0060e/T0060E05.htm

Notes

http://www.mediate.com/articles/donaisB2.cfm

http://www.scribd.com/doc/7707539/Causes-of-Conflict-in-the-Workplace

http://www.smallbusinessforum.com.au/7-tips-for-better-workplace-communication/

Unit 11: Importance of Small Groups and Informal Organisations

Objectives

After studying this unit, you will be able to:

● Discuss an introduction to Groups

● Describe the formation of Small Groups

● Explain the significance, advantages and limitations of Informal Organisations

● Discuss the managing the Informal Organization

Introduction

In the previous unit, we dealt with the concept of Communication and how will you improve it, how you will be able to manage conflict in the organisations as well as the concept of dynamic of change. The human group is a formidable force in modern organisations. Small groups are found in all types of organisations. They are essential mechanisms of socialisation and a primary source of social order. They perform an important mediating service between the individual and the larger society. Organisations are nothing but a group of many professionals working together to achieve a common goal. Different departments comprise of smaller groups to work over a project/goal/objective. Company leaders do sometimes have concerns about rumors or gossip perpetuating through informal conversations. However, informal networks affect company culture, and when well-managed, they can improve overall communication and morale. At the end of this unit, you will be able to understand the concept of groups, small groups and importance of informal organisations.

11.1 Groups: An Introduction

We define "group" as more than two employees who have an ongoing relationship in which they interact and influence one another's behaviour and performance. The behaviour of individuals in groups is something more than the sum total of each acting in his or her own way. Learning capabilities represent the set of core competencies, which are defined as the special knowledge, skills, and technological know-how that differentiate an individual or an organisation from his/its competitors and enable them to adapt to their environment. Learning capacities are the fuel for individuals or organisational success. The behaviour of individuals in groups is something more than the sum total of each acting in his or her own way. In other words, when individuals are in groups, they act differently than they do when they are alone.

The term "group" is an amorphous one and can refer to a wide variety of gatherings, from just two people (think about a "group project" in school when you partner with another student), a club, a regular gathering of friends, or people who work together or share a hobby. In short, the term refers to any collection of at least two people who interact with some frequency and who share a sense that their identity is somehow aligned with the group. Of course, every time people are gathered it is not necessarily a group. A rally is usually a one-time event, for instance, and belonging to a political party doesn't imply interaction with others. People who exist in the same place at the same time, but who do not interact or share a sense of identity—such as a bunch of people standing in line at Starbucks—are considered an aggregate, or a crowd. Another example of a non-group is people who share similar characteristics but are not tied to one another in any way.

Groups can be either formal or informal.

1. *Formal Groups:* A formal group is set up by the organization to carry out work in support of the organization's goals. In formal groups, the behaviours that one should engage in are stipulated by and directed toward organizational goals. Examples include a bookkeeping department, an executive committee, and a product development team. Formal group may be command groups or task groups.

    (a) *Command Group:* A command group consists of a manager and the employees who report to him or her. Thus, it is defined in terms of the organization's hierarchy. Membership in the group arises from each employee's position on the organizational chart.

(b) *Task Group:* A task group is made up of employees who work together to complete a particular task or project. A task group's boundaries are not limited to its immediate hierarchical superior. It can cross command relationships. A employee's membership in the group arises from the responsibilities delegated to the employee – that is, the employee's responsibility to carry out particular activities.

Caution Task group may be temporary with an established life span, or they may be open ended.

2. *Informal Groups:* An organization's informal groups are groups that evolve to meet social or affiliation needs by bringing people together based on shared interests or friendship. Thus, informal groups are alliances that are neither formally structured nor organizationally determined. These groups are natural formations in the work environment that appear in response to the need for social contact. Many factors explain why people are attracted to one another.

Notes One explanation is simply proximity; when people work near one another every day, they are likely to form friendships. That likelihood is even greater when people also share similar attitudes, personalities, or economic status.

(a) *Friendship Groups:* Groups often develop because the individual members have one or more common characteristics. We call these formations friendship groups. Social alliances, which frequently extend outside the work situation, can be based on similar age, hold same political view, attended the same college, etc.

(b) *Reference Groups:* Sometimes, people use a group as a basis for comparison in making decisions or forming opinions. When a group is used in this way, it is a reference group. Employees have reference groups inside or outside the organization where they work. For most people, the family is the most important reference groups. Other important reference groups typically include co-workers, friends, and members of the person's religious organization.

Caution The employee need not admire a group for it to serve as a reference group. Some reference groups serve as a negative reference; the employee tries to be unlike members of these groups.

(c) *Membership Groups:* When a person does belong to a group (formal and informal groups to which employees actually belong) the group is called a membership group (or affiliation group) for that person. Members of a group have some collection of benefits and responsibilities that go beyond the group serving as a reference point. In a membership group, each member would be expected to contribute to the group's well being and would enjoy the benefit arising from the group member's friendship.

11.1.1 Reasons for Forming Groups

Formal and informal groups form in organisations for different reasons. Formal groups are sometimes called official or assigned groups and informal groups may be called unofficial or

emergent groups. Organisations routinely form groups. If we assume management decisions are rational, groups must benefit organisations in some way. Presumably, the use of groups can contribute to achieving and maintaining a sustainable competitive advantage. Groups can do this if they enable an organisation to fully tap the abilities and energy of its human resources. Furthermore, with regard to informal groups, people form groups to meet their individual needs.

1. *Performance:* Group effort can be more efficient and effective than individual efforts because they enable employees to specialize and contribute a variety of strengths. Organisations structure employees into functional and task groups so that they can develop and apply expertise in particular functions, products, problems or customers. The other factor contributing to performance is motivation, and groups can enhance this as well. When employees work in groups, the group is an important force for creating and enforcing standards for behaviour.

2. *Cooperation:* Carrying out an organisation's mission is something no single person can do alone. However, for several people to accomplish a mutual goal, they must cooperate. Group dynamics and characteristics can enhance cooperation among employees, especially when members identify themselves with - and as - a group and are rewarded for group success.

3. *Satisfaction:* If satisfaction improves motivation (and therefore performance), organisations as well as individual employees can benefit from employees' satisfaction derived from group membership. A major source of this satisfaction is that people have needs for being with others and being liked by them. The way people satisfy this category of needs is participating in groups focusing on social activity. Group membership may also be a means for satisfying needs for security, power and esteem.

11.1.2 Stages of Group Development

In interpreting behaviour of a particular group, it is important to recognize not only a broad pattern of development but also the unique characteristics of the particular group and the circumstances that contribute to (or detract from) its development. The way in which a particular group develops, depends in part on such variables as the frequency with which group members interact and personal characteristics of group members. However, it is generally believed that groups pass through a standard sequence of five stages.

1. *Forming:* When a group is initially formed, its members cannot accomplish much until they agree on what their purpose is, how they will work together and so on. Answering such questions brings group members face to face with the first obstacle to maturity: uncertainty, anxiety, and disagreement over power and authority. In this stage, the focus is on the interpersonal relations among the members.

2. *Storming:* The storming stage is one of inter-group conflict. Members accept the existence of the group, but resist the constraints the group imposes on individuality. Further, there is conflict over who will control the group. After a group leader has emerged, the remaining group members must sort out where they fit in the group. Even if all the group members accept the leader, the group enters a phase of conflict and challenge. One or more followers may test the leader.

3. *Norming:* In this stage, close relationships develop and the group demonstrates cohesiveness. Entering and conducting the cohesion phase requires intervention by a group member who is emotionally unaffected by power and authority issues. Typically, such a person encourages group members to confront these issues openly. If the group engages in this process, the cohesion phase usually passes quickly.

4. *Performing:* The fourth stage is performing. The structure at this point is fully functional and accepted. Group energy has moved from getting to know and understand each other to performing the task at hand. Members' attention is directed to self-motivation and the motivation of other group members for task accomplishment.

5. *Adjourning:* For permanent work groups, performing is the last stage in their development. However for temporary groups, there is an adjourning stage. In this stage, the group prepares for its disbandment. High task performance is no longer the group's top priority. Instead, attention is directed toward wrapping up activities.

Task Evaluate the type of group you are at workplace most often. Did you have to be a part of a group you did not want? What was the type of that group?

Caselet

Social Networking Software Maps the Hidden, Informal Relationships that exist Alongside the ORG Chart within Every Company

The business value of social networking software lies less in creating relationships from whole cloth than in recognizing, analyzing and mobilizing existing relationships. "We all know there is a lot more to an organization than what you can see on an organizational chart," says Zia Khan, a principal at consulting firm Katzenbach Partners. "There are hidden elements, personal relationships and networks that people draw upon every day outside of the org chart. Until now, nobody has had a holistic view of those things."

Khan calls that shrouded world of water-cooler conversations, school ties and common interests "the informal organization," also the title of his book-in-progress on the subject. While the formal structure of a company is good for dealing with explicit metrics and strategies, the informal organization is the seat of "the values that help people make decisions."

A formal organization, the stuff of managers and direct reports and scheduled projects, works well at addressing markets by parameters such as geography and time. An informal organization might form around less obvious and diffuse groups that share an affinity for, say, NASCAR and turn out to be fans of a given product as well. "Formal helps with work the company thinks it needs to be doing, informal helps do the work that's not predictable," Khan says. Informal culture is powerful stuff, with real potential to improve business performance. Khan points to Southwest Airlines as an example of a company with formal structures and strategies similar to those of its competitors, but also a culture of cheerful customer service, workers willing to perform tasks outside their narrow job functions, and a history of financially outperforming its peers.

"They are able to communicate and create emotional connections to work in ways that are fundamentally different from other airlines," he says. The cultural advantages at Southwest are organic to the company, but similar potential exists within its rivals.

Contd...

> That's where the software is designed to help: by highlighting the relationships and informal networks that exist within any company, and fostering the company's use of them. It lets you "tap into the emotional commitment that drives extra effort," Khan says.
>
> *His caveat:* Social networking technology can help companies align informal organizations with their business goals, but companies must start with business processes in mind to derive real value from the networks they track and nurture. Over time, says Khan, companies will allow more personal and emotional focus in the workplace and employees will come to expect it.
>
> "I see a kind of convergence" across formal and informal organizations, he says. "You are friends with someone in accounting, you did a project with that person and had a beer and now you have a social network, complete with pictures of your team outing, that replicates elements of your real relationships."
>
> It sounds warm and fuzzy, but if all goes according plan, the payoff will include cold, hard cash on the bottom line. —Edward Cone

Source: http://www.cioinsight.com/c/a/Trends/Informal-Organizations/

Self Assessment

State whether the following statements are true or false:

1. A informal formal group is set up by the organization to carry out work in support of the organization's goals.

2. When a person does belong to a group (formal and informal groups to which employees actually belong) the group is called a membership group (or affiliation group) for that person.

3. Group effort cannot be efficient and effective than individual efforts.

4. The Norming stage is one of inter-group conflict.

11.2 Small Groups

A group comprises two or more individuals who interact and are interdependent on each other to attain some specific objectives. When we speak of a group, we mean something more than just a number of persons having opportunities for close and frequent contacts. Groups can be classified in many ways. There are formal groups which are deliberately created by the legal and formal authorities in order to achieve specific end results or to undertake delegated tasks. On the basis of duration, formal groups can either be permanent or temporary. Informal groups are the ones which are not intentionally planned to be in existence. These are created to fulfil such needs which the formal authority fails to meet. Groups to which an individual really belongs, is called Membership Group, while a Reference group is the one with which he/she identifies or to which one would wish to belong. The groups in which the contacts are impersonal and infrequent and where interaction is on a remote place be known as secondary groups. Correspondingly, a group characterized by intimate, face-to-face association and cooperation is known as a primary group.

11.2.1 Small Group Characteristics

A group is one which has some cohesiveness in the activity of the group members. The behaviour of group members must reveal a regularity showing that the members recognise a guiding set

of principles of interaction. In keeping with the phenomenon of tourism and tourists, one finds an understanding of the following characteristics of a small group, especially a tourist group, to be of great help in order to have qualitative grasp over small group behaviour dynamics:

- an association of a limited number of persons willing to have frequent face-to-face interaction over a fixed span of time,

- members having like minded approach and intentions, preferably positive ones towards each other,

- members differentiating with members of other sub-groups in some regroups,

- group members being mutually aware of their membership of the group and thus having regard for the accepted moves and norms, and

- free-flowing, both ways, communication without injuring the feelings of others and also recognising the group sanctity.

11.2.2 Formation of Small Groups

Groups are usually formed to achieve specific tasks. From the tourist's point of view the tasks and objectives could be intimacy with each other, or frequent face-to-face interaction and association. From the point of view of a tourist operating organisation, it is an instrument to perform complex and interdependent tasks, which group members working together can often accomplish more easily than the individuals working on their own. Small groups rest on shared values and shared contacts. It is believed that more the members associate with one another under similar conditions, the more they share and relish common values, and develop liking and affinity for each other. What the group members value is not only something "good" or "desirable", it is "good for all in the group" and so ought to be viewed in the same sense by each of the members. The groups are formed deliberately to achieve a given purpose. In a tourist organisation, groups are formed for generating new ideas or creative solutions continuously because of the constant interaction among the members. Besides, they can be a means of utilising up-to-date knowledge. In situations, where the members of the group are concentrated at one place instead of being scattered over different places, they would be in close touch and thus draw inspiration from one another. People in a group interact with one another to solve problems, achieve goals, make the way for coordination, reduce tension and accomplish a balance.

11.2.3 Small Groups Influences on Behaviour

The small group strongly influences the behaviour of its members by setting and enforcing standards for proper behaviour by its members. This includes standards for a variety of situations not directly involved with the activities of the group itself. For example,

- It is in a small group that a great deal of human behaviour including the correct way to behaviour is learned and enforced. The group can set standards for a range of behaviour beyond its own jurisdiction.

- The more stable and cohesive the group is, and the more attached the members are to it, the more influential it is in setting standards for their behaviour.

- The less certain the group is about the right standards, the less amount of control, it can exercise over its members.

- In case, the small group's activities are imposed from outside, the norms set by the group are likely to be limited in character. If they are determined from within, they are more likely to take on the character of ideal goals.

- People in a group tend to agree with the opinions of people they like and they tend to think that the people they like agree with them and the ones whom they dislike do not agree with them.

- The group strongly influences the behaviour of its members by providing them support, reinforcement, security, encouragement, protection, rationale, etc. When an individual is genuinely attached to a group, and is in close and continuous contact with it, his group anchored behaviour and beliefs are extremely resistant to change. In such circumstances, the group can exercise firm 'control' over him.

11.2.4 Leadership in a Small Group

In a small group, for maintaining group cohesiveness, authoritarian leadership is less effective than democratic leadership. Such a leadership facilitates in getting the group goals achieved. Besides, democratic leadership is more effective with respect to the durability of the group, the members' satisfaction, their independence and their productivity on the task. The leaders of small groups have to simultaneously satisfy two necessary but often conflicting needs of the group, namely:

1. The need for initiative, guidance, contribution of ideas, etc. and

2. The need for harmony, liking, mutual acceptance, etc.

These two demands are difficult and rarely combined in the same person. Most of the leaders of groups give up the instrumental role in favour of popularity. When groups have established norms and a new leader joins, it becomes extremely difficult for the new leader to shift the activities of the group even if he/she is highly capable. Usually, the leaders of small groups tend to direct the group's activities along lines which they themselves are proficient at and away from the areas in which they are less competent.

11.2.5 Interaction within the Group in the Organisation

The following conditions affect the interaction among members of a small group:

- As the cohesiveness of the group grows the interaction also increases among the group members.

- When there is difference of opinion among the group members the interaction decreases.

- The interaction in small group increases as the members perceive that there is disagreement within the group on a particular subject because of the emotional attachment that people have in small groups, and

- In a small group, communications are received by its members roughly in the same proportion as made by each of the other members. Communications within the group are more likely to be directed from equal to equal and from the higher ranking members to the lower ranking members.

The effectiveness of the group coupled with the satisfaction of individual members are on an increase when the members perceive their personal goals being in harmony with group goals.

Active discussion by small groups to determine goals, to choose methods of work, to reshape operations or to solve other problems is more effective in changing group practice. It also helps in bringing about better motivation and support for the change and better implementation and productivity of the new practice. A small group which is composed of relatively less limited number of members having common goals/aims has the capacity of providing better solutions

to a problem especially in comparison to the problem being attempted to by the individual members. This could be the case under the following conditions:

- When the problem has a definite and identifiable solution. In other words, when it is a technical and not attitudinal problem,

- When the initial judgement of the individuals in the group is not homogenous and a range of possible solutions are available initially to the group for its considerations;

- When the task requires that each member of the group makes a judgement about the same matter,

- When rewards and punishments are given to the group as a whole, rather than ta individuals within the group,

- When the information or skills required for the solution could be more, and

- When the task can be sub-divided.

Self Assessment

Fill in the blanks:

5. A .... comprises two or more individuals who interact and are interdependent on each other to attain some specific objectives.

6. In a small group, for maintaining ...., authoritarian leadership is less effective than democratic leadership.

7. The effectiveness of the group coupled with the satisfaction of individual members are on an .... when the members perceive their personal goals being in harmony with group goals.

8. .... discussion by small groups to determine goals, to choose methods of work, to reshape operations or to solve other problems is more effective in changing group practice.

11.3 Informal Organisations

In the informal organization, the emphasis is on people and their relationships; in the formal organization, the emphasis is on official organizational positions. The leverage, or clout, in the informal organization is informal power that's attached to a specific individual. On the other hand, in the formal organization, formal authority comes directly from the position. An individual retains formal authority only so long as he or she occupies the position. Informal power is personal; authority is organizational.

An informal organisation is one which is not reliant on a hierarchical structure, typical of large-scale companies. It is not typical for an entire organisation to be informal, as this could cause problems which are discussed in a moment, but formal organisations do tend to have informal ones within them.

Informal organisations have very loose structures. People can become members freely and sometimes spontaneously; relationships are undefined and the sharing of responsibility and involvement of members will vary considerably.

The best example to give is an organisation's football team. One might find a managing director, a manager and a manual worker all on the same team- and we know that relationships between them will be very different than in the office place. So, the football team is an informal organisation; the company as a whole is formal since it has increasing levels of power.

Firmly embedded within every informal organization are informal groups and the notorious grapevine; the following list offers descriptions of each:

1. *Informal groups:* Workers may create an informal group to go bowling, form a union, discuss work challenges, or have lunch together every day. The group may last for several years or only a few hours. Sometimes employees join these informal groups simply because of its goals. Other times, they simply want to be with others who are similar to them. Still others may join informal groups simply because they want to be accepted by their coworkers.

2. *Grapevine:* The grapevine is the informal communications network within an organization. It is completely separate from — and sometimes much faster than — the organization's formal channels of communication.

Did u know? Formal communication usually follows a path that parallels the organizational chain of command. By contrast, information can be transmitted through the grapevine in any direction — up, down, diagonally, or horizontally across the organizational structure. Subordinates may pass information to their bosses, an executive may relay something to a maintenance worker, or employees in different departments may share tidbits.

Grapevine information may be concerned with topics ranging from the latest management decisions to the results of today's World Series game to pure gossip. The information may be important or of little interest. By the same token, the information on the grapevine may be highly accurate or totally distorted.

The informal organization of a firm may be more important than a manager realizes. Although managers may think that the informal organization is nothing more than rumors that are spread among the employees, it is actually a very important tool in maintaining company-wide information flow. Results of studies show that the office grapevine is 75 percent to 90 percent accurate and provides managers and staff with better information than formal communications.

The classical organization structure is built around positions and not around people. In reality, such a formal structure shows only one set of relationships, the officially planned relationships, between groups and individuals working together. Other important relationships exist, often, called the informal organization exerting a powerful influence upon productivity and job satisfaction. They blend with the formal system to make a workable system for getting the work done in a smooth way. The informal organization can be viewed as a shadow organization. It arises naturally and spontaneously from the interaction of people. It refers to unofficial and unauthorized relationships that inevitably occur between individuals and groups within the formal organization. It exists within the confines of the formal authority structure. However, the interactions that occur informally are not prescribed by the formal structure, nor can they be completely controlled by the formal structure. It is a by-product of human nature and is affected by the formal structure.

11.3.1 Reasons for the Emergence of Informal Organizations

Informal organization is inevitable along with formal organization. The basic reason behind the emergence of informal organization is the inadequacy of formal organization structure to meet the needs of both members and organization. Informal relationships develop spontaneously within any formal structure, and managers do not have any choice in the matter. It is important for managers to understand the informal organization and channel its energies toward

organizational goals. The informal organization presents many opportunities for motivating employees, resolving conflicts and creating worker satisfaction.

1. *Desire to Socialize with Others:* It is a natural tendency that people like to socialize in the organization in order to satisfy their social and ego needs. Normally, such needs are not satisfied by the formal organization, and yet these needs are quite important for people. Informal organizations provide social satisfactions. Affiliation with the informal groups is more than just friendship; it is a sense of belonging. It gives a person recognition, status and future opportunity to relate to others. This is the natural way of need satisfaction and therefore, becomes an important reason for the emergence of informal organization.

Notes According to Keith Davis "Man is a social being. He wants to belong, to associate with others instead of working in isolated loneliness. Out of this basic drive of man, the informal organization arises". Informal organization acts like a "Safety Valve" to release daily tensions and on-the-job frustrations. Informal organizations lend a sympathetic ear to troubles voiced by people and will give an opportunity to ventilate grievances.

2. *Source of Protection:* One of the major functions of the informal organization is to increase the feeling of security of its members. Individuals prefer some degree of stability in their working lives, and the informal organization performs this function by exerting influence and control over the behaviour of those in it. Deviant or abnormal behaviour is not tolerated and this assures members a reasonable degree of stability in their interpersonal relationships. The informal organization also increases member security by protecting members from outside influences such as management or other work groups.

3. *Psychological Fatigue of Routine Tasks:* Due to increasing level of specialization, people concentrate on a single task or a few simple tasks. Simple and routine types of tasks have an undesirable impact on the people. Under such conditions, workers can easily become bored, and the resultant indifference may induce psychological fatigue. Therefore, people try to overcome their psychological fatigue through interactions, which may provide them stimuli, which is possible through informal organization. Informal organization, thus, has the capability to fill the psychological vacuum created by dull, boring and monotonous jobs. It has the capacity to overcome deficiencies built into – and flowing from – the formal structure.

4. *Hierarchical control and communication:* Formal organizations are typified by formalized superior-subordinate relationships characterized by the exercise of control by superiors, sometimes subordinates may resent. When a subordinate is not able to thwart such hierarchical control, he searches for an association where he does not face similar type of control. Thus, he joins an informal group. Much to his delight, the informal organization provides an additional channel of communication for the organization, called the grapevine. Information that is deemed important by the informal organization is sought out and quickly communicated to interested group members.

Caution Unfortunately, what the grapevine possesses in speed it usually lacks in accuracy. Because information is transmitted through many different sources in the informal organization, it tends to become distorted as it travels from source to source.

11.3.2 Significance of Informal Organization

The importance of informal organization arises from the functions performed by informal groups. The important functions of informal organization are as under:

(i)   It serves as a very useful channel of communication in the organization. The informal communication is very fast.

(ii) It blends with the formal organization to make it more effective. It gives support to the formal organization.

(iii) The informal leader lightens the burden of the formal manager and tries to fill in the gap in the manager's abilities.

(iv) Informal organization gives psychological satisfaction to the members. They get a platform to express their feelings.

(v)   The presence of informal organization encourages the manger to plan and act carefully. Thus, informal organization supports and supplements the formal organization.

11.3.3 Central Concepts of the Informal Organization

Two concepts that are particularly important in understanding behaviour in organizations are status and influence. These are referred to as social processes since the sources of status and influence tend to be behavioural rather than structural in nature. The central concepts of the informal organization are as follows:

1.   *Status:* Status is the rank or relative position of an individual in a group. It is important in organizations because it satisfies the basic human need for personal identification. It plays a very useful role in the interaction between the members of the group. From a practical point of view, it is useful to view status as an individual's social position within a group. Knowledge about another's status helps us to mould our responses appropriately; we are in a better position to structure, understand and predict the social interactions that are important to us. Characteristics such as age, sex, race, education and religion are common status attributes used to place individuals in a status hierarchy. These combine with other types of attributes like job skills to determine an individual's position in the informal group.

     Status can be of two varieties, ascribed and achieved.

     ❖   *Ascribed Status* is that social position occupied because of attributes inherent in the individual, such as race, sex and age.

     ❖   *Achieved Status* is the position a person attains through personal choice, such as education, skills or marital status.

     Within organizations, two additional types of status can be identified: Scalar and Functional.

     ❖   *Scalar Status* pertains to a person's formal position within the hierarchy.

     ❖   *Functional Status* relates to an individual's function within the organization.

2.   *Power Systems:* While the formal organization is concerned with the right to influence behaviour, the informal organization involves the ability to influence behaviour. Since, the actual systems and processes of influence may be at variance with the formal organizational structure, it is important that we understand the nature and sources of organizational influences.

❖ To possess influence means to be able to determine or affect the behaviour of others. In the informal organization, influence can exist independently of the formal relationships because certain individuals or groups allow themselves to be influenced by others.

❖ In the informal organization, power involves exerting of influence over others without the formal right of authority. For example, the personal secretary to the Managing Director, while having little or no formal authority, may be quite powerful.

To understand how power operates in organizations, it is necessary to understand the potential sources of power. The potential sources of power are:

(a) Reward Power – exists when X has the ability to control the rewards that Y receives. For example, if a poor boy marries a rich girl, he may readily behave in the way demanded by her parents.

(b) Punishment Power – exists when X can influence Y because he has the ability to determine punishments for X.

(c) Referent Power – exists when Y is influenced by X because Y admires X and wishes to be like X.

(d) Expert Power – exists when Y is influenced by X because X possesses some special or expert knowledge that Y needs. For example, doctors can influence the behaviour of their patients in healthcare matters.

(e) Legitimate Power – exists when Y believes that X has the "right" to influence him and that, because of shared norms and values Y feels an obligation to accept this influence.

3. *Status and Influence Systems:* In informal organization, achieved status and social power are the major determinants of influence. Status is associated with influence because high status is accorded to those individuals who possess one or more sources of social power.

4. *Communication:* Informal communication system is known as "grapevine". The grapevine has got a tremendous capacity to carry information with helpful and harmful effects to the organization, in ways that are quite unpredictable. The grapevine is flexible and personal. It spreads the information faster than the formal communication channel. Unfortunately, what the grapevine possesses in speed, it usually lacks in accuracy. It can spread rumours and false information as rapidly as it can spread facts.

Notes It is important to view the informal communication system within the context of power and status systems, as the three together constitute the major social processes that are characteristic of informal organizations. In the informal organization, quantity of communication is affected by status relationships, and the type of communication can be determined by the social power one person can exercise over another. Thus, if a member of a work group is perceived as being highly competent in a particular task area but this is the only reason that person is included in the social group, most of the communication directed at that person would probably be task oriented.

11.3.4 Advantages of Informal Organization

The advantages of informal organization are as follows:

1. *Supports formal structure:* The formal structure is viewed as one side of the "organization coin" while the informal structure is viewed as the other. Informal systems blend with formal systems to make a workable system for getting the work done. Formal plans and policies cannot meet every problem in a dynamic situation because they are pre-established and partly flexible. Some requirements can be met better by being partly flexible by informal relations that are flexible and spontaneous.

2. *Protects work groups:* The informal organization protects the individual against arbitrary treatment by management. The informal structure counteracts the cold and inhuman qualities of the formal structure by providing a means for developing friendships and being accepted by fellow workers. It provides satisfaction and stability to work groups.

3. *Useful communication devices:* Informal organization develops its own media and channels of communication. Here, communication is mostly oral and may transmit important information which cannot be obtained through the formal channel. Informal organization is a need fulfillment device generated from within and also from without when it is found that the existing formal communication channel is inadequate to supply the required information, or information at the right time. The requirement of speedier communication generates the need for informal channel, which supplements the formal one. What is sometimes not realized is that the informal organization provides not only the employees but even management, with an additional channel of communication. By harnessing it judiciously, the management can transmit accurate and useful information quickly to even the farthest outposts of the organization.

11.3.5 Limitations of Informal Organization

To complete our understanding of the workings of the informal organization, it is important that we discuss some limitations associated with it. An informal organization may present several dysfunctional effects, especially if it is not handled properly.

1. *Social cost:* Informal organization, undoubtedly, is a safety valve for the frustrations and other emotional problems of work-group. Allowing informal groups to engage in gossiping, joke telling and general horseplay or idle conversation that satisfy some of the members' social needs results in higher operating costs. More the time wasted in such things, the higher the operating costs for the organization because all these things take place within the stipulated office time. However, it should be remembered that employees have social needs that must be satisfied, and if the satisfaction of these needs is prevented, other costs, such as lowered motivational levels, may be incurred. A fine balance needs to be struck between the two.

2. *Resistance to change:* Every group promotes certain cultural values and norms, which it considers desirable. Because norms satisfy the need for security and predictability, there is considerable resistance to making changes that will affect the norms. In course of time, members come to jealously guard these values, resulting in a perpetuation of the status quo. Any intended change by the management as regards alteration of commonly shared values and norms is vehemently resisted. Thus, if informal organization is not handled properly, there may be problems in bringing about changes.

3. *Role conflict:* An individual perceives role conflict when he has to fulfil conflicting requirements of two or more roles. Due to informal organization, a person has to perform two roles; one relates to his official position and another relates to satisfactions of members

of his group. Since, people have the tendency to associate with informal groups, such role conflict may come in the way of performance of official duties. Thus, informal organizations may be detrimental to the organization.

4. *Staffing inflexibility:* The existence of the informal organization tends to decrease the organization's flexibility in staffing decisions. There is a loss in the inter-changeability of personnel, since, the informal organization adds unofficial criteria to the selection process. The requirements of the informal organization are factors such as personality, social background, or other status attributes. If a particular individual does not fit into the existing social organization, productivity will likely suffer.

5. *Generation of rumours:* Quite often, the grapevine is susceptible to use in spreading destructive, distorted, inaccurate and incomplete information cutting across organizational lines with tremendous speed. Rumour is spread through informal organization. The basis for the circulation of rumour is ambiguous circumstances and relieving of emotional tensions felt by people because of ambiguity. This creates problems for both management and employees. It may be destructive in the sense that it adversely affects the morale of people, as everyone adds such snippets of information as most suit personal objectives.

6. *Conformity:* In the case of informal organization, conformity means to act according to the general standards of informal organization. This can make group members reluctant to act independently, creatively, or assertively, for the fear of losing group approval and membership. In this fashion, the informal group can become "an instrument of neurotic sowers of conflict or non-responsible rabble-rousers using the group for their own selfish ends". Naturally, such demagogy is detrimental to the organization.

11.3.6 Difference between Formal and Informal Organisations

The formal organization consists of the formally recognized and established statuses of the members. The relationship between the members is more a status relationship than a personal relationship. The informal organization consists of role rather than statuses. The relationship between the members is more a personal relationship or role relationship than the status relationship.

There is authority in formal organizations hence there is super ordination and subordination. Individuals are valuable because of their status and prestige. There is leadership in informal organization; hence, we find dominance and submission. Individuals are valuable because of their roles and esteem.

The norms of formal organization differ. They are found in the form of written rules, regulations, laws contracts or constitutions. The norms are more subtle. They are also informal. They may be found in the form of customs, morals, folkways, belief and they are not written.

Formal organizations may have long history of their own. The state or clubs etc. are relatively permanent and stable. Informal organizations are not very permanent. Informal organizations may develop into formal organization.

Formal organizations are comparatively more inflexible. It is not easy to bring change in them, for example, it is not easy to bring change or amendment in the constitution. Informal organizations are more flexible. There is no rigidity here. Changes can be brought forth easily. It requires only the change in attitudes of the members.

In a formal organisation, the objectives or goals are specific and well-defined. The main objectives of a formal organisation are productivity, growth, and expansion. In an informal organisation, the objectives are not specific and well-defined. The main objectives of an informal organisation are friendship, security, common interest, individual and group satisfaction, etc.

The members of the formal organisation get financial benefits and perks like wages or salaries, bonus, travelling allowances, health insurance, etc. The members of informal organisation get social and personal benefits like friend circle, community, groups, etc.

Self Assessment

State whether the following statements are true or false:

9. Formal organisations have very loose structures.

10. The grapevine is the informal communications network within an organization.

11. The classical organization structure is built around positions and not around people.

12. One of the major functions of the informal organization is to decrease the feeling of security of its members.

11.4 Managing the Informal Organization

Informal organization is a natural outcome of the operation of social factors at the workplace. As such, it can neither be created nor dispensed with. It is an inevitable part of organizational life. Like it or not, managers must accept the fact that the informal organization exists and can't be wished away, banished or outlawed. In managing organizations, there is a tendency either to ignore the existence of informal organizations or to suppress them by administrative action. Both these alternative are fraught with risk. In dealing with informal organizations, managers should be careful not to transgress the informal system, as it could result in reactive behaviour that so offer blocks formal goals. According to Keith Davis, a manager should:

1. Let employees know that he accepts and understands informal organization.

2. Consider possible influences on informal system when taking action.

3. Integrate the interests of informal groups with those of the formal organization.

4. Keep formal activities from unnecessarily threatening informal organization in general.

Therefore, what is required for managing informal organizations effectively is to develop a situation in which informal organizations do not grow beyond unmanageable proposition and they are used for positive actions. Management can adopt two approaches:

1. *Structural Approach:* Structural approach deals with designing the formal organization in such a way as to be sympathetic to informal organization. This can be achieved in the following ways:

   ❖ The work should be assigned in terms of "meaningful end-products". This will enable group members to see their contributions directly and encourage them to associate themselves more closely with the work.

   ❖ People with all the skills necessary to complete the assigned work should be placed as close as possible to the point of action.

   ❖ An operating unit should be supplied with full facts on its work. Since the unit receives the information promptly on its progress and has full authority to make changes, its members may become so engrossed with the result that they will avoid other social groups.

2. *Behavioural Approach:* Managements can adopt flexible and accommodating approach towards informal organization rather than a strong repressive approach to solve a problem arising out of its functioning. This can be achieved in the following ways:

   ❖ Management should reassure people that it is not against the informal organization.

❖   While making decisions like creating committees, changing work structure, etc., influence of informal organization should be taken into account.

❖   Management can refrain from taking such action or creating the sort of environment which is unnecessarily threatening to the informal organization.

11.4.1 Organizational Effectiveness through Informal Structure

Organizations are composed of individuals and operate within systems. Individuals, organizations, and systems constitute the principal units of analysis of the organizational and management sciences, albeit always from an organizational perspective (i.e., the individuals of interest are within an organization or set of organizations). It describes, there are numerous ways to conceptualize and model an organization, with profound consequences for criteria of effectiveness. These concepts typically deal with organizational form and structure on the one hand and organizational functions and activities on the other. How the organization is designed and how its functions are defined obviously have important implications for how processes and people are managed. Effectiveness, from the closed, rational system perspective, is achieved through:

●   Setting specific goals

●   Prescribing and Formalization of rules and roles

●   Monitoring conformance to these expectations.

In order to prevent superiors from behaving arbitrarily or capriciously, the formalization of role expectations for subordinates is combined with a specification of management authority within narrowly prescribed hierarchical authority relations. The organizational and management goal is to increase system rationality and predictability. This system of management is based on the bureaucratic organizational control. All organizations have a need for some level of stability as well as a need to be flexible and adaptable; a need for control and discipline as well as a need to allow some degree of freedom and autonomy; a need for rational formal structures and non-rational informal relations. They concluded that effectiveness depended upon the ability of an organization, and its managers, to strike the right balance among these critical attributes, as required by the organization's objectives and situation.

Worker effectiveness measurements are based on human behaviour. Worker effectiveness measurements also indicates how the workplace supports many issues. These metrics are intangibles and measure issues such as:

●   Fostering innovation

●   Enhancing communication

●   Encouraging learning

●   Improving work process

●   Expediting decision making

●   Understanding and addressing the needs of users

●   Attracting and retaining talented employees.

11.4.2 Assessing Informal Groups and Remedying for Effectiveness

The most important managerial tool available for assessing patterns of relationships in informal networks is called social network analysis. By making critical patterns of interaction visible, social network analysis helps managers give informed answers to several questions.

Example:

1. Does information flow smoothly within a given network?

2. Do functional departments or business units collaborate appropriately in taking their services to market?

3. Is the collective expertise within a network being leveraged effectively?

The result of such probing is likely to be improved collaboration at strategic junctures within an organization. Managers can carry out a social network analysis by following five steps:

- Select audience

- Design the questions

- Pose the right questions

- Collect and analyse data

- Interpret and make remedial action

Managers should consider how changes in four areas of organizational context can improve collaboration in informal networks.

- Consider the organization's formal structure.

- Understanding how the formal structure impedes group effectiveness.

- Employee management practices

- Cultural values that prize individual accomplishment over collaborative endeavors

Self Assessment

Fill in the blanks:

13. …………………… approach deals with designing the formal organization in such a way as to be sympathetic to informal organization.

14. Worker effectiveness measurements are based on …………………… Worker effectiveness measurements also indicates how the workplace supports many issues.

15. The most important managerial tool available for assessing patterns of relationships in informal networks is called …………………… analysis.

16. Managers should consider how changes in …………………… areas of organizational context can improve collaboration in informal networks.

Case Study   **Self Directed Groups**

I t's hard to think of the Internal Revenue Service as a service organization, let alone on that has customers. But for the last decade or so, the IRS has actually devoted itself to customer service - in fact, the agency considers customer service to be a strategic business objective.

Realizing that the only way to achieve better service was through its employees, former IRS commissioner Larry Gibbs turned to the human resource department for help. In conjunction with the union, the HR department instituted a quality improvement process with more than 400 formal task groups to identify and solve problems, then move to a strategy of continuous improvement in service.

Initially, the IRS formed four task groups (called "impact teams") that could be monitored closely for their effectiveness. Each group was small, about twenty members. A manager was assigned as the leader. The groups were aligned by function, such as tax collection or criminal investigation, and tasks were specific and measurable, within the realm of each group's own work processes. Groups were required to use a structured decision-making model, and though consensus was encouraged, it was not a high priority.

Even with a rigid, closely monitored structure, the groups had to go through stages of development. Leaders and facilitators (who had separate roles within the groups) first completed special training sessions on small-group dynamics. But as the groups actually got going, members often discovered the theories weren't necessarily applicable because opportunities to practice them didn't always arise. So the groups had to find their own paths of development.

Eight months after the impact teams began working together, the IRS administered a questionnaire designed to measure their progress in effective small-group dynamics and communication. It seemed that three of the four groups were pleased with the way they had evolved, and most members had developed mutual acceptance, trust, and an ability to communicate and make decisions together. They said they valued being able to ask each other questions.

How productive were the groups? Those that tackled small, concrete projects first did the best. For instance, one team that was located in an area that served a high volume of taxpayers decided that service could be improved by ensuring that lunch and other breaks were taken on schedule - so they synchronized the office clocks every two weeks. Later, as the program expanded, different groups achieved the following; one created an automated database program that identified taxpayers who were liable for federal taxes so that state benefits could be withheld; one wrote a step-by-step employee handbook for preparing tax adjustments; and one made changes in a single tax form that reduced the taxpayer's time to complete it by nearly half. If we as taxpayers consider ourselves customers of the IRS, we can say that we are better served by an agency that has embraced groups to improve quality.

Questions:

1. Why is it just as important for a government agency like the IRS as it is for a commercial business firm to rely on productivity groups to benefit the organization as a whole?

2. Do you think the rigid structure and close monitoring of the initial impact teams inhibited their development? Why or why not?

3. What characteristics of an effective group did the IRS impact teams have?

Source: Mathew J Ferrero, "Self-Directed Work Teams Untax the IRS," Personnel Journal, July 1994, pages 66 - 71.

11.5 Summary

- We define "group" as more than two employees who have an ongoing relationship in which they interact and influence one another's behaviour and performance.

- A formal group is set up by the organization to carry out work in support of the organization's goals.

- An organization's informal groups are groups that evolve to meet social or affiliation needs by bringing people together based on shared interests or friendship.

- Formal groups are sometimes called official or assigned groups and informal groups may be called unofficial or emergent groups. Organisations routinely form groups.

- In interpreting behaviour of a particular group, it is important to recognize not only a broad pattern of development but also the unique characteristics of the particular group and the circumstances that contribute to (or detract from) its development.

- A small group is a gathering, usually 6-10 people, who meet to offer mutual acceptance, support for one another's goals, and encouragement for life's challenges.

- An informal organisation is one which is not reliant on a hierarchical structure, typical of large-scale companies.

- Formal communication usually follows a path that parallels the organizational chain of command. By contrast, information can be transmitted through the grapevine in any direction — up, down, diagonally, or horizontally across the organizational structure.

- The importance of informal organization arises from the functions performed by informal groups.

- Informal organization is a natural outcome of the operation of social factors at the workplace. As such, it can neither be created nor dispensed with.

- Structural approach deals with designing the formal organization in such a way as to be sympathetic to informal organization.

- Individuals, organizations, and systems constitute the principal units of analysis of the organizational and management sciences, albeit always from an organizational perspective (i.e., the individuals of interest are within an organization or set of organizations).

11.6 Keywords

Formal Groups: A formal group is set up by the organization to carry out work in support of the organization's goals.

Forming: When a group is initially formed, its members cannot accomplish much until they agree on what their purpose is, how they will work together and so on.

Friendship Groups: Groups often develop because the individual members have one or more common characteristics.

Grapevine: The grapevine is the informal communications network within an organization.

Group: A group is a place for you to connect with people who share an interest.

Informal Groups: An organization's informal groups are groups that evolve to meet social or affiliation needs by bringing people together based on shared interests or friendship.

Informal Organization: The informal organization is the interlocking social structure that governs how people work together in practice.

Membership Groups: When a person does belong to a group (formal and informal groups to which employees actually belong) the group is called a membership group (or affiliation group) for that person.

Norming: In this stage, close relationships develop and the group demonstrates cohesiveness.

Small Group: A small group is a gathering, usually 6-10 people, who meet to offer mutual acceptance, support for one another's goals, and encouragement for life's challenges.

Status: Status is the rank or relative position of an individual in a group.

Storming: The storming stage is one of inter-group conflict.

11.7 Review Questions

1. Define group.

2. Distinguish between formal and informal group.

3. Highlight the reasons for forming groups.

4. Discuss the stages of group development.

5. Explain the characteristics of small groups.

6. Write brief note on the formation of small groups.

7. Discuss how small groups influences on behaviour.

8. Explain the role of leadership in a small group.

9. What do you understand by informal organisations?

10. Elucidate the reasons for the emergence of informal organizations.

11. Describe the central concepts of the informal organization.

12. Highlight the advantages and disadvantages of informal organization.

13. Distinguish between formal and informal organisations.

14. Discuss organizational effectiveness through informal structure.

15. How will you assess informal groups?

Answers: Self Assessment

1.	False	2.	True
3.	False	4.	False
5.	Group	6.	Group Cohesiveness
7.	Increase	8.	Active
9.	False	10.	True
11.	True	12.	False
13.	Structural	14.	Human Behaviour
15.	Social Network	16.	Four

11.8 Further Readings

Books

Aswathappa, K. (2007), "*Human Resource and Personnel Management*, Tata McGraw Hill.

Bhattacharyya, D. K. (2006), *Human Resource Management*, Excel Books.

Mathis, Robert L & Jackson, John H. (2007), *Human Resource Management,* Thomson.

Rao, P. L. (2004), *Comprehensive Human Resource Management*, Excel Books.

Rao, VSP (2005), *Human Resource Management,* Excel Books.

Online links

http://businesscasestudies.co.uk/business-theory/operations/the-formal-and-informal-organisation-structure.html#axzz2PIfwtAJE

http://sobek.colorado.edu/~mciverj/Olson-Chapter1.PDF

http://wiki.answers.com/Q/What_is_informal_organization_what_are_there_advatange_and_disadvantage

http://www.articlesbase.com/management-articles/how-important-are-informal-groups-in-organization-2641061.html

http://www.cliffsnotes.com/study_guide/The-Informal-Organization.topic ArticleId-8944,articleId-8877.html

http://www.managementparadise.com/forums/principles-management-perspective-management/25733-informal-organization-effective-team-work.html

Unit 12: Stress Management, Individual Management and Self-management

Objectives

After studying this unit, you will be able to:

- Discuss the Meaning of Stress

- Describe the Causes of Stress

- Explain the Stress Management Techniques

- Discuss the Individual Management and Self-management

- Describe the Handling Stress at Workplace

Introduction

In the previous unit, we dealt with the concept of groups, small groups and importance of informal organisations. Employers should provide a stress-free work environment, recognise where stress is becoming a problem for staff, and take action to reduce stress. Stress in the

workplace reduces productivity, increases management pressures, and makes people ill in many ways, evidence of which is still increasing. Workplace stress affects the performance of the brain, including functions of work performance; memory, concentration, and learning. Stress and stress management are directly related to personal well-being and specifically to workplace well-being. Self-management and Individual management is a relative concept—a behaviour change program may necessitate a small level of self-management or a wide-spanned scale of self-management. Self-management can be used to live a more effective and efficient daily life, breaks bad habits and acquires new ones, accomplish difficult tasks, and achieve personal goals. Learning and teaching self-management skills have many advantages and benefits to the individual actually learning or implementing the skills, those teaching it, and others who may benefit from the individual's use of the skills. At the end of this unit, you should be able to understand the meaning, causes and techniques of stress management at workplace along with the concept of Individual Management and Self-management.

12.1 Meaning of Stress Management

Stress is a general term applied to various mental and physiological pressures experienced by people feel in their lives. Stress may be defined as, *"a state of psychological and/or physiological imbalance resulting from the disparity between situational demand and the individual's ability and/or motivation to meet those demands."*

Hans Selye was one of the founding fathers of stress research. His view in 1956 was that, *"stress is not necessarily something bad – it all depends on how you take it. The stress of exhilarating, creative successful work is beneficial, while that of failure, humiliation or infection is detrimental."* Selye believed that the biochemical effects of stress would be experienced irrespective of whether the situation was positive or negative.

Since then, a great deal of further research has been conducted, and ideas have moved on. Stress is now viewed as a "bad thing", with a range of harmful biochemical and long-term effects. These effects have rarely been observed in positive situations.

The most commonly accepted definition of stress (mainly attributed to Richard S Lazarus) is that stress is a condition or feeling experienced when a person perceives that, *"demands exceed the personal and social resources the individual is able to mobilize."*

Dr. Hans Selye, one of the leading authorities on the concept of stress, described stress as, "the rate of all wear and tear caused by life."

Stress can be positive or negative. Stress can be positive when the situation offers an opportunity for a person to gain something. It acts as a motivator for peak performance. Stress can be negative when a person faces social, physical, organisational and emotional problems.

Stress management can be defined as interventions designed to reduce the impact of stressors in the workplace. These can have an individual focus, aimed at increasing an individual's ability to cope with stressors. The goal of Stress Management is to help you to manage the stress of everyday life. Many different methods may be employed, such as biofeedback, meditation and massage. Counselors work with individuals in order to determine what stress management program will work best for that person.

Stress management is an important skill that all adults need in order to improve themselves as problem solvers and to be more in control of their lives. Many adult learners come back to school when there has been a change in their lives. Sometimes, the change is triggered by a stressful event in an adult's life. In many classroom situations, there are several opportunities for learners to voice what they are feeling and what they are experiencing in their lives. This unit focuses on what stress is, what causes it, where individuals are on the Social Readjustment Rating and what you can do to manage your stress.

Did u know? **Stress Management Facts**

1. Stress is any physical, chemical, or emotional factor that causes bodily or mental unrest.

2. While elimination of stress is unrealistic, management of stress is an attainable and realistic goal that can be achieved by a number of strategies.

3. People with strong social support networks report less stress and fewer negative symptoms of stress than those who lack social support.

4. Stress Management techniques include relaxation techniques, time-management skills, counseling or group therapy, exercise, and maintaining an overall healthy lifestyle.

5. There are hundreds of different relaxation techniques to help manage stress, including yoga, guided imagery, biofeedback, tai chi, qigong, and progressive muscle relaxation.

Stress may be considered as any physical, chemical, or emotional factor that causes bodily or mental unrest and that may be a factor in causing disease. Physical and chemical factors that can cause stress include trauma, infections, toxins, illnesses, and injuries of any sort. Emotional causes of stress and tension are numerous and varied. While many people associate the term stress with psychological stress, scientists and physicians use this term to denote any force that impairs the stability and balance of bodily functions.

If stress disrupts body balance and function, then is all stress bad? Not necessarily. A mild degree of stress and tension can sometimes be beneficial.

Example: Feeling mildly stressed when carrying out a project or assignment often compels us to do a good job, focus better, and work energetically.

Likewise, exercising can produce a temporary stress on some body functions, but its health benefits are indisputable. It is only when stress is overwhelming, or poorly managed, that its negative effects appear.

An important goal for those under stress is the management of life stresses. Elimination of stress is unrealistic, since stress is a part of normal life. It's impossible to completely eliminate stress, and it would not be advisable to do so. Instead, we can learn relaxation techniques and other methods to manage stress so that we have control over our stress and its effects on our physical and mental health.

12.1.1 Significance of Effective Stress Management

Effective stress management is significant because it ensures that you are able to go on with your life and get to enjoy every minute of it. You cannot have effective stress management if you are not aware of all the aspects that come to play to ensure stress levels are controlled. Stress is that feeling of being cornered where you are not willing to look at any possibility of positivity. It is pretty hard to look for something positive in a grave situation but, even at such a time, effective management will seek to bring out the good and discard the negative. Stress is commonly caused by stressors which might be external or form the inside. Human beings are constantly dealing with stress and this means that stressors are in plenty.

Stress has the ability to change your life negatively if only you allow it. We are, therefore, not helpless because we can engage management tips that will help us overcome. Firstly, you must

know what stress is and how it shows itself in our lives. In this modern age, you are probably too busy to even consider whether you might need to deal with stress in your life therefore; everyone needs to take the following caution to heart. Do not think that you are immune and before stress strikes, you have to have some tools or weapons which you will use to fight it. If you are constantly feeling inadequate as if you are missing something you cannot get and it is frustrating, make a point of dealing with those emotions effectively.

It is okay for you to have such feelings once in a while then they go away after you form a defense mechanism against them but, if you feel like this everyday, you are doing a disservice to your body. It is a sign of stress and it is usually passed on to the people around you who might fear you because of your temper and lack of patience. Stress will also be known when you are handling people. You might display insecurity and also seem to be withdrawn from people. This are just a few signs of stress and they do not reflect how everyone acts and this is because the effects of stress are very individual, you have to know the main signs so that you can have a general overview.

Effective stress management will require you to seek the help of a professional who has had some experience in the field. They might prescribe all sorts of remedies like relaxing or even watching some comedies that will enable you laugh and appreciate life again. You will be advised on how to handle stress. Many women have been stressed over men who they are in relationships with. This goes to show that many people are facing different stressors and it will be more than helpful to have effective management so that they do not have worse consequences which may come from severe stress in their daily lives.

12.1.2 Stress Types

Three types of stress may be distinguished:

1. *Acute stress:* Acute stress is usually for short time and may be due to work pressure, meeting deadlines pressure or minor accident, over exertion, increased physical activity, searching something but you misplaced it, or similar things. The symptoms of this kind of stress are headaches, back pain, stomach problems, rapid heartbeat, muscle aches or body pain. Acute stress is common in people who take too many responsibilities and are overloaded or overworked, disorganized, always in a hurry and never in time. These people are generally in positions of importance at their workplace and stressful lifestyle is inherent in them.

2. *Chronic Stress:* Chronic stress is a prolonged stress that exists for weeks, months, or even years. This stress is due to poverty, broken or stressed families and marriages, chronic illness and successive failures in life. People suffering from this type of stress get used to it and may even not realize that they are under chronic stress. It is very harmful to their health.

Caselet **NYNEX**

When a major corporation like Nynex goes through downsizing, thousands of people are affected. But the complete picture includes both the employees who were laid off and those who survived the cutbacks. Both suffer from conflict and stress.

Nynex had already been through a series of downsizing efforts when the last big one was instituted (intended to reduce the number of employees by more than 20,000). Thus, the morale of survivors was already low. "Two months ago, I would have said that morale of survivors was so low that it couldn't go any lower", declared one executive. "But I'd have to say it's even lower today". When word of the new firings and buyouts was received, many reacted with fear and anger. "The officers all have golden parachutes," says Pat, a middle manager. "They're in charge of their own fates. We're not involved. We're just affected."

Although the organisation tried to reduce stress by offering accelerated pensions, which executive vice president Robert J. Thrasher claimed, would remove "the anxiety and angst in the work force," the buyouts simply weren't enough. "Even if people won't be fired this time, they're still frightened of the future," observes Pat. "It affects their self-esteem and their pocketbook. And most people aren't going from something to something. They have no place to go."

Survivors also had to adjust to a new working environment, one in which there was no security, no matter how hard or long they worked. With a reduced work force, they had to put in longer, harder hours anyway. "Now we'll have to learn to work smarter and completely change the way we do things," explains Nancy P Karen, director of Nynex's personal-computer network. "It's a different mentality. My weekends and holidays are not reserved."

Pat believes the cost of this stress to the organisation will ultimately be very high – perhaps not on the bottom line right away, but in the long run. If the organisation is not committed to its employees, she reasons, how long – and how well – will surviving employees be committed to Nynex? She cites an instance in which she walked for hours through a blizzard to get to work one day but wonders whether future Nynex employees would be compelled to do that. And she wonders if emergency repair teams will be as quick and as responsive in the future if they know they could lose their jobs at any moment. Downsizing has two sides, but both sides experience conflict and stress. Only time will reveal the true cost to organisations like Nynex.

Source: John A Byrne, "The Pain of Downsizing," Business Week, May 9, 1994, page 60-69.

Self Assessment

State whether the following statements are true or false:

1. A mild degree of stress and tension can sometimes be beneficial.

2. Stress has the ability to change your life positively if only you allow it.

3. Acute stress is a prolonged stress that exists for weeks, months, or even years.

12.2 Causes of Stress

Whenever our body feels something not favorable, then it tries to defend itself. If this situation continues for a long time, then our body is working overtime. There are several causes of stress.

Example: You are under stress when you are worried about something, worried about your children, worried about the illness of your father, worried about your job security, or worried about your loans or similar things.

You may be under stress due to several causes. Factors that cause stress are called "Stressors." The following are the sources or causes of an organisational and non-organisational stress.

12.2.1 Causes of an Organisational Stress

The main sources or causes of an organisational stress are as follows:

1. *Career Concern:* If an employee feels that he is very much behind in corporate ladder, then he may experience stress and if he feels that there are no opportunities for self-growth he may experience stress. Hence unfulfilled career expectations are a major source of stress.

2. *Role Ambiguity:* It occurs when the person does not known what he is supposed to do on the job. His tasks and responsibilities are not clear. The employee is not sure what he is expected to do. This creates confusion in the minds of the worker and results in stress.

3. *Rotating Shifts:* Stress may occur to those individuals who work in different shifts. Employees may be expected to work in day shift for some days and then in the night shift. This may create problems in adjusting to the shift timings, and it can affect not only personal life but also family life of the employee.

4. *Role Conflict:* It takes place when different people have different expectations from a person performing a particular role. It can also occur if the job is not as per the expectation or when a job demands a certain type of behaviour that is against the person's moral values.

5. *Occupational Demands:* Some jobs are more stressful than others. Jobs that involve risk and danger are more stressful. Research findings indicate that jobs that are more stressful usually requires constant monitoring of equipments and devices, unpleasant physical conditions, making decisions, etc.

6. *Lack of Participation in Decision Making:* Many experienced employees feel that management should consult them on matters affecting their jobs. In reality, the superiors hardly consult the concerned employees before taking a decision. This develops a feeling of being neglected, which may lead to stress.

7. *Work Overload:* Excessive work load leads to stress as it puts a person under tremendous pressure. Work overload may take two different forms:

   ❖ Qualitative work overload implies performing a job that is complicated or beyond the employee's capacity.

   ❖ Quantitative work overload arises when number of activities to be performed in the prescribed time is many.

8. *Work Underload:* In this case, very little work or too simple work is expected on the part of the employee. Doing less work or jobs of routine and simple nature would lead to monotony and boredom, which can lead to stress.

9. *Working Conditions:* Employees may be subject to poor working conditions. It would include poor lighting and ventilations, unhygienic sanitation facilities, excessive noise and dust, presence of toxic gases and fumes, inadequate safety measures, etc. All these unpleasant conditions create physiological and psychological imbalance in humans thereby causing stress.

10. *Lack of Group Cohesiveness:* Every group is characterised by its cohesiveness although they differ widely in degree of cohesiveness. Individuals experience stress when there is no unity among the members of work group. There is mistrust, jealously, frequent quarrels, etc., in groups and this lead to stress to employees.

11. *Interpersonal and Intergroup Conflict:* Interpersonal and intergroup conflict takes place due to differences in perceptions, attitudes, values and beliefs between two or more individuals and groups. Such conflicts can be a source of stress to group members.

12. *Organisational Changes:* When changes occur, people have to adapt to those changes and this may cause stress. Stress is higher when changes are major or unusual like transfer or adoption of new technology.

13. *Lack of Social Support:* When individuals believe that they have the friendship and support of others at work, their ability to cope with the effects of stress increases. If this kind of social support is not available then an employee experiences more stress.

12.2.2 Causes of Non-organisational Stress

Certain factors outside the scope of an organisation also cause stress. These main sources or causes of non-organisational stress are as follows:

1. *Civic Amenities:* Poor civic amenities in the area in which one lives can be a cause of stress. Inadequate or lack of civic facilities like improper water supply, excessive noise or air pollution, lack of proper transport facility can be quite stressful.

2. *Life Changes:* Life changes can bring stress to a person. Life changes can be slow or sudden. Slow life changes include getting older and sudden life changes include death or accident of a loved one. Sudden life changes are highly stressful and very difficult to cope.

3. *Frustration:* Frustration is another cause of stress. Frustration arises when goal directed behaviour is blocked. Management should attempt to remove barriers and help the employees to reach their goals.

4. *Caste and Religion Conflicts:* Employees living in areas which are subject to caste and religious conflicts do suffer from stress. In case of religion, the minorities and lower-caste people (seen especially in India) are subject to more stress.

5. *Personality:* People are broadly classified as 'Type A' and 'Type B'.

   ❖ Feels guilty while relaxing.

   ❖ Gets irritated by minor mistakes of self and others.

   ❖ Feels impatient and dislikes waiting.

   ❖ Does several things at one time.

   ❖ While the 'Type B' people are exactly opposite and hence are less affected by stress due to above mentioned factors.

6. *Technological Changes:* When there are any changes in technological field, employees are under the constant stress of fear of losing jobs, or need to adjust to new technologies. This can be a source of stress.

7. *Career Changes:* When a person suddenly switches over a new job, he is under stress to shoulder new responsibilities properly. Under promotion, over promotion, demotion and transfers can also cause stress.

Self Assessment

Fill in the blanks:

4. ………………… it occurs when the person does not known what he is supposed to do on the job.

5.   Excessive .... leads to stress as it puts a person under tremendous pressure.

6.   Stress is .... when changes are major or unusual like transfer or adoption of new technology.

12.3 Stress Management Techniques

Stress is a part of life, a normal response to demands emotional, intellectual, or physical. It can be positive if it keeps us alert, motivated, and ready to avoid danger. It can be negative if it becomes chronic, increasing the risk of diseases like depression, heart disease and a variety of other problems.

People can learn to manage stress and lead happier, healthier lives. Here are some tips to help you keep stress at bay:

1.   *Exercise:* Exercise can be a key, central method to compensate for stressors. Physical exercise not only promotes overall fitness, but it helps you to manage emotional stress and tension as well. Exercise can also aid in relaxation and improve sleep. For one thing, exercise can emotionally remove one temporarily from a stressful environment or situation. Being fit and healthy also increases your ability to deal with stress as it arises.

2.   *Relaxation techniques and meditation:* There are many ways to use structured relaxation techniques to help control stress and improve your physical and mental well-being. While some types of meditation and relaxation therapies are best learned in a class, it's also possible to learn meditation techniques on your own. There are literally hundreds of different types of relaxation methods ranging from audio CDs to group martial arts and fitness classes. The following are only examples of the types of structured programs available that can increase our capacity for relaxation:

     ❖   *Autogenic training:* Developed in the early 20th century, this technique is based upon passive concentration and awareness of body sensations. Through repetition of so-called autogenic "formulas" one focuses upon different sensations, such as warmth or heaviness, in different regions of the body. Autogenic training has been used by physicians as a part of therapy for many conditions. Popular in Europe (where it is even covered by some insurance plans), this method is currently gaining acceptance in the United States. No particular physical skills or exercises are involved; however, people desiring to learn this technique must be prepared to invest time and patience. Since this technique is slightly more complex than some relaxation methods, a course is generally the best way to learn the method.

     ❖   *Biofeedback:* Biofeedback is one method of learning to achieve relaxation, control stress responses, or modify the body's reactions through the use of monitoring equipment that provides information from the body which would normally not be available. This method is based upon the principle first advanced in the early 1960s that the autonomic nervous system (the part we don't consciously use) is trainable. For example, instruments can be used to measure heart rate, blood pressure, brain activity, stomach acidity, muscle tension, or other parameters while people experiment with postural changes, breathing techniques, or thinking patterns. By receiving this feedback, one can learn to identify the processes that achieve the desired result, such as reduction in heart rate and blood pressure. Biofeedback is used by many practitioners for a variety of psychological and physical conditions. Because the technique involves the use of measuring devices, it can only be performed by a professional.

     ❖   *Imagery:* Imagery, sometimes referred to as guided imagery, is the use of pleasant or relaxing images to calm the mind and body. By controlling breathing and visualizing

a soothing image, a state of deep relaxation can occur. This method can be learned by anyone and is relatively easy to try out.

❖ *Meditation techniques:* Ranging from practices associated with specific religions or beliefs to methods focusing purely on physical relaxation, meditation is one of the most popular techniques to achieve physical and mental relaxation. There are thousands of different types of meditation, and many can be learned on your own. The meditative state is one in which there is a deep centering and focusing upon the core of one's being; there is a quieting of the mind, emotions, and body. The meditative state can be achieved through structured (as in a daily practice of a routine) or unstructured (for example, while being alone outdoors) activities. While teachers of meditative arts are readily available, some techniques can be learned though books or online tutorials. A form of meditation popularized for several decades is Transcendental Meditation (TM). TM has the goal of achieving transcendental consciousness (the simplest form of awareness). It is practiced for 15-20 minutes in the mornings and evenings and is relatively easy to learn. Numerous classes and teaching materials are available for beginners. Another variant of a meditation technique has gained popularity in the U.S. Since its description in the 1970s by Harvard physician Herbert Benson. This technique involves generation of the so-called relaxation response through the repetition of a word of phrase while quietly seated, 10-20 minutes per day. Designed to evoke the opposite bodily reaction to the stress response (or "fight or flight" reaction), this method carries no religious or spiritual overtones. Its value has been documented in the reduction of blood pressure and other bodily stress responses. Like other forms of meditation, it can be learned on one's own, but time and practice are required to elicit the desired relaxation state.

❖ *Progressive muscle relaxation:* Progressive muscle relaxation is a method developed in the 1930s in which muscle groups are tightened and then relaxed in succession. This method is based upon the idea that mental relaxation will be a natural outcome of physical relaxation. Although muscle activity is involved, this technique requires no special skills or conditioning, and it can be learned by almost anyone. Progressive muscle relaxation is generally practiced for 10-20 minutes a day. As with the relaxation response, practice and patience are required for maximum benefits.

❖ *Qigong:* The martial art qigong is an ancient Chinese healthcare system that combines physical training (such as isometrics, isotonics, and aerobic conditioning) with Eastern philosophy and relaxation techniques. There are many different kinds of qigong, including medical qigong. Some forms are practiced while standing, sitting, or lying down; others involve structured movements or massage. Over 70 million Chinese practice some form of qigong daily. Qigong has been used for centuries in China for the treatment of a variety of medical conditions. Learning qigong involves time, commitment, patience, and determination, and learning from a master or group is advisable. Since this technique involves physical exertion, check with your doctor before beginning, particularly if you have a chronic medical condition or are over 40 years old.

❖ *Tai chi:* Like qigong, tai chi is a Chinese martial art. It has been termed a kind of "meditation in motion" and is characterized by soft, flowing movements that stress precision and force. Also known as tai chi chuan, this method is thousands of years old. As with qigong, training from a master is necessary to learn the art of tai chi. Again, since motion and force are required, check with your doctor before beginning training.

❖   *Yoga:* There are many forms of yoga, an ancient Indian form of exercise based upon the premise that the body and breathing are connected with the mind. The practice of yoga is thought to be over 5,000 years old. One goal of yoga is to restore balance and harmony to the body and emotions through numerous postural and breathing exercises. Yoga, which means "joining" or "union" in Sanskrit, has been called the "search for the soul" and the "union between the individual and the divine." Among the benefits of yoga are increased flexibility and capability for relaxation. No special level of conditioning is required; yoga can be learned by nearly anyone. Classes, books, and videos are widely available. Those with special or chronic physical conditions will want to get clearance from their doctor before beginning.

3.   *Time management:* Good time-management skills are critical for effective stress control. In particular, learning to prioritize tasks and avoid over-commitment are critical measures to make sure that you're not over scheduled. Always using a calendar or planner and checking it faithfully before committing to anything is one way to develop time-management skills. You can also learn to identify time-wasting tasks by keeping a diary for a few days and noticing where you may be losing time.

Example: Productivity experts recommend setting aside a specific time (or multiple times) each day to check and respond to email and messages rather than being a continual slave to incoming information. Banishing procrastination is another time-management skill that can be learned or perfected.

4.   *Organizational skills:* If your physical surroundings (office, desk, kitchen, closet, car) are well organized, you won't be faced with the stress of misplaced objects and clutter. Make it a habit to periodically clean out and sort through the messes of paperwork and clutter that accumulate over time.

5.   *Support systems:* People with strong social support systems experience fewer physical and emotional symptoms of stress than their less-connected counterparts. Loved ones, friends, business associates, neighbors, and even pets are all part of our social networks. Cultivating and developing a social support network is healthy for both body and mind.

Self Assessment

State whether the following statements are true or false:

7.   Physical exercise only promotes overall fitness.

8.   Qigong method is a method developed in the 1930s in which muscle groups are tightened and then relaxed in succession.

9.   Tai chi is a Chinese martial art.

12.4 Individual Management and Self-management

Management has assumed greater importance in the modern organisations. More than organisations, individuals are concerned with the stress reduction. As the saying goes 'prevention is better than cure', prevention of stress is better than attempting to cure stress. This is because stress once experienced has negative consequences. Though employee possesses negative perception of stress, there is a need to induce moderate levels of stress for better performance. The question arises what should be the acceptable levels of stress? Moreover, there is a wide gap between theoretical and actual practice of stress management.

Example: Practicing yoga early in the morning and doing exercise is considered very effective way of fighting stress.

Self-management is defined as the personal application of behaviour change tactics that produces a desired change in behaviour. The term "self-control" is also used to refer to this type of behaviour change program. However, self-control as a term implies several additional constructs beyond the reference of a person acting in some way in order to change subsequent behaviour.

Self-monitoring is often a component of a self-management program and is the procedure by which a person observes and responds to the behaviour she is trying to change. Self-monitoring was originally developed as a method of clinical assessment for behaviours that were thought to be observable only by the client herself. Self-monitoring is frequently combined with additional strategies such as goal setting, self-evaluation, and reinforcement delivered for meeting predetermined criteria. It is difficult to determine exactly how it works, since, it is confounded by private events. Even so, self-monitoring is a widely applicable tactic useful for individuals of varying ages and abilities as well as across a wide range of behaviours.

Self-administered consequences are not synonymous with self-reinforcement or self-punishment because the variables influencing the controlling response make self-management strategies more than an application of operant reinforcement. Self-administered consequences analogous to positive and negative reinforcement and positive and negative punishment can be incorporated into self-management programs.

In addition to self-management and self-monitoring there are other types of self-management tactics. These include self-instruction, habit reversal, systematic desensitization, and massed practice. Each tactic varies in the exact procedures for implementing the self-management process, but the reference of a person acting in some way in order to change subsequent behaviour remains constant.

Implementing a self-management program can have a great impact on the target behaviour. Six steps are recommended for designing and implementing an effective self-management program.

However, how many people really sacrifice morning comfortable sleep for the sake of yoga and exercises. When a problem occurs, people resort to yoga. Otherwise, they feel that taking allopathic medicine is easy than yoga and exercises. Individual and organisational stimuli causes stress, and the implications are more negative at individual and organisational levels. It needs to be managed both by adopting individual and organisational strategies.

Caution The individual management techniques are more popular than organisational management techniques.

Self-management has powerful effects on learning, motivation, and performance, because people try to learn and perform only those tasks that they believe they will be able to perform successfully. Self-management affects learning and performance in three ways:

1. *Self-management influences the goals that employees choose for themselves:* Employees with low levels of self-management tend to set relatively low goals for themselves. Conversely, an individual with high self-management is likely to set high personal goals. People not only learn but also perform at levels consistent with their self-management beliefs.

2. *Self-management influences learning as well as the effort that people exert on the job:* Employees with high self-management generally work hard to learn how to perform new tasks, because they are confident that their efforts will be successful. Employees with low

self-management may exert less effort when learning and performing complex tasks, because they are not sure the effort will lead to success.

3. *Self-management influences the persistence with which people attempt new and difficult tasks:* Employees with high self-management are confident that they can learn and perform a specific task. Thus, they are likely to persist in their efforts even when problems surface. Conversely, employees with low self-management who believe they are incapable of learning and performing a difficult task are likely to give up when problems surface. Thus, self-management is a powerful determinant of job performance.

12.4.1 Individual Management

Individuals assume automatic responsibility and look for ways and means of dealing with their stress. Individuals are more concerned about their health. There is an increasing rate of health clinics and health consciousness observed in recent times. Following are some of the techniques which individuals can adopt for reducing stress:

1. *Time Management:* Time management and stress are inversely related. Improper and poor management of time are the root cause of a greater degree of stress. Improper and inadequate utilisation of time causes anxiety. The following principles of time management can help in combating stress.

    ❖ Identifying and listing of daily activities in a logical order.

    ❖ Arranging the activities of the day based on importance and urgency.

    ❖ Preparing logical schedule of activities.

    ❖ Analysing and understanding the daily cycle and nature of the job.

    ❖ Allocating time properly to various activities based on time demands.

    ❖ Delegating minor tasks to the subordinates in order to make use of the time in a better manner.

    ❖ Discouraging unwanted visitors.

    ❖ Setting unfinished tasks on the top of list for tomorrow.

2. *Physical Management:* Management of stress relates to understanding one's own biological and body conditions. Examining hereditary characteristics habits like smoking and drinking, life styles and body conditions help in understanding one's physiological conditions. Overcoming stress is possible with managing physiological relaxation. Physical exercises greatly help in relieving tension and stress. When body is conditioned with physical exercise, oxygen is inhaled properly and blood circulation increases. This promotes healthy secretions from glands and the supply of blood to all the parts of the body keeps every organ active. Consequently, immunity to withstand stress increases. Physical exercises could be reactive or proactive.

Notes Non-competitive physical exercises like walking, jogging, swimming, riding, aerobics and playing games considerably increases heart capacity, provide mental diversion from work pressures and increases heart capacity to withstand stressful situations. The chances of heart attack, adverse blood pressure and diabetics reduce.

3. *Psychological Management:* Most of the stresses arise because of psychological tensions. Therefore, it is suggested that managing psychological activities lead to effective management of stress. The following are some of the psychological management techniques:

    ❖ *Relaxation:* Relaxation of mind through meditation, hypnosis and biofeedback can effectively reduce mental tensions. Meditation involves silently sitting on the ground taking deep inhalation and chanting mantra. This takes the mind into deep relaxation. This technique relaxes muscles and mind. It also brings significant changes in heart rate, blood pressure, lung capacity and other biological organs of the body. Transcendental Meditation, Soul management, Atma yoga, Anthahakarana, Silence sitting posture, Shavasana, Bhavathetha meditation and praying the God are some of the relaxation techniques practiced for reducing stress.

    ❖ *Behavioural Self-control:* Stress also results from behavioural disorders. Exercising proper control over behaviour in dealing with others can bring down the chance of stress. Self-introspection brings self-awareness of the individual. Similarly knowing the antecedents and consequences of own behaviour enables behavioural self-control. Stress can be relaxed by developing proper perception, practicing good listening, maintaining calm and tension free mind empathy and positive attitude are some of the behavioural self-control techniques.

    ❖ *Cognitive Therapy:* It is a technique of clinical psychology. Cognitive therapy involves knowing ones' own emotions to release anxiety and tension. In this technique, people are made to understand the reasons causing stress in them by the process of self-observation.

Example: If an employee develops a feeling that he is incompetent to handle a new job, counselling is provided to develop a confidence of competence to handle all the new jobs.

Thus, with the help of cognitive therapy, a positive impact is created for the mental satisfaction. Cognitive therapy enables people to exercise self-control for relaxing stress.

    ❖ *Yogic Management:* In recent times, yoga is an effective technique of relieving stress. Yoga practice involves Asana, Pranayama, Mudra and Kriya. Practicing a number of yogasana relaxes muscels, reduces blood pressure, controls asthma, relieves neurological problems, improves lung capacity, enhances proper flow of blood and helps relax tensions and strains. Certain asanas which help stress relaxation are pada hasthasana, vajra asana, sashanka asana, camel asana, lotus asana, crocodile asana, sarvanga asana, shava asana.

4. *Social Management:* Developing good social networks involves grouping of people who are good listeners and confidence builders. This increases social support to individuals. Encouraging informal groups to share information without inhibitions, developing free exchange of ideas, views and distasteful experiences, promoting confidence of social support decrease tensions and stress. Social clubs, recreation clubs, friendship clubs, informal gatherings, birthday parties, and family are some of the social networks that increase social support and reduce stress.

5. *Self-awareness Management*: Self-awareness is similar to self-audit or personal audit. Managers are required to understand themselves in a free and fair manner.

Caution They should encourage open communication and willing to listen to others especially on their deficiencies.

Notes

Being aware of self is a difficult task, as individuals are unprepared to accept their defects. Self-awareness management involves three stages.

- ❖ *Stage – I:* Identify, understand and analyse one's own skills, capacities, limitations and defects.

- ❖ *Stage – II:* Encourage feed back from others viz., subordinates, peers, superiors, friends, family members and other social associations. This requires patient hearing without inhibitions.

- ❖ *Stage – III:* Develop self-program to improve the skills, capacities to overcome the limitations in a scientific way. Attend self-management-training programs to develop the personality for all round development of self.

6. *Inter-personal Management:* One of the most successful techniques of stress management is developing inter-personal understanding. Inter-personal communication, inter-personal attraction and inter-personal knowledge improve understanding of others behaviour. Most of the organisational stresses are created due to misunderstanding, organisational politics, setting one self-aloof from others and encouraging unreliable comments. Thus, maintaining openness of communication and valuing proper comment enable development of inter-personal understanding. Transactional Analysis, Johari Window and Grid techniques help in the development of inter-personal understanding and consequent relief from stress.

12.4.2 Individual Management Skills

Management in many organisations consistently tell both customers and staff that customer satisfaction is their prime aim. More and more organisations now realise that positive action is required to ensure that these words do not remain mere platitudes and that management and staff actions do not contradict the stated intent.

Because needs differ this full or half day workshop will, more than most, be aimed at the specific organisation or department. It aims to show that words are not enough and that everyone needs to be involved if the process is to be successful.

1. *Time Management and Planning Skills:* Time management is the key to this individual management skill. All of the awesome and productive workers that I have met successfully manage their time. You could probably work less and be much more at peace with yourself with some quality time-management training. Having time management skills is simply having the ability to recognize and solve time management problems. It is as the old adage says, to never put off for later what can be done right now. You can develop this personal management skill by keeping a calendar and beginning to schedule everything. You heard right, everything. This includes scheduling your free time and the time it takes to get from one meeting to another.

Example: Think about what happens when your scheduled meeting ends at 3:00 pm and your next appointment is scheduled for 3:00 pm. You are either going to leave the first meeting early or you will be late to your next appointment. You failed to schedule travel time between the meetings. When you take the time to plan your day's activities and practice the discipline of following your daily plans you will develop the ability to start and finish projects when you are supposed to. You will also become much more adept at estimating how long a project or a task will take to accomplish. In addition, whatever you do, do not procrastinate. Procrastination is the number one offender against your ability to manage time.

2. *Financial Management Skills:* Money management is the wall upon which individual management skills sit lopsidedly. On one side, through the disciplines of successful financial management comes successful personal management as well. There is no need for all the kings' horses to put anything back together. On the other side, humpty falls to the ground and the rest of his personal management skills shatter into the pieces of a broken shell. The reason being is the discipline required for successful financial management is powerful enough to bleed its way into just about every aspect of your life. Financial management skills can be perfect with the help of following aspects:

    ❖ Create a budget and tailor your spending to meet its requirements.

    ❖ Save every receipt from every purchase that you make in one month and find out how much money you're really spending. You might be surprised to find out where your money is actually going.

    ❖ Create income and expense reports that allow you to see the bigger picture of your financial situation.

    ❖ Manage your personal finances as if you were managing a business's finances.

3. *Communication Skills:* With great communication skills comes the power to influence and encourage others and yourself. You won't be able to practice personal management until you're able to listen to that inner dialog and understand where you are headed. A few tricks to improving your communication skills are as under:

    ❖ Practice active listening. Try to look the person speaking in the eyes and think only about the words that they are speaking.

    ❖ Speak slowly and ask questions to test whether the listening party understands what is being communicated.

    ❖ When writing, always write a first draft and edit the draft into a final copy after asking whether the purpose of your communication is clear and understandable.

    ❖ When you find yourself caught up in your own thoughts, try to relax and "Watch" the thinker thinking those thoughts. You are not your thoughts. You are greater than your thinking.

4. *Organizational Skills:* Personal management would be incomplete without the ability to stay organized. We cannot accomplish any goals without the resources required to get the job done. Some people have desks and drawers cluttered with papers and junk. They feel they need these things "just in case". However, they are probably wasting more time trying to find the things they need than getting the job done anyway. You can greatly increase your personal management skills by getting organized. The best part is you already have the skills required to be organized, you just need to start putting them to good use. Here are a few great organizational skills that will improve your personal management techniques:

    ❖ Throw stuff in the garbage. Most people can get away with throwing 50% of the things they save away without any negative consequence.

    ❖ Use a PIM (Personal Information manager) such as Outlook or a Day Runner planner/organizer.

    ❖ File paperwork away in a manner that is consistent and understandable.

    ❖ Reduce your information collecting points. Most people have multiple email inboxes, paper inboxes, voice mailboxes, snail mailboxes, etc. That is too many locations to manage incoming information. Try to whittle it down to only a couple.

5. *Continued Self-development Skills:* This is the most important personal management skill of them all. Without the ability to continue moving forward with personal development you will be unable to recognize the areas that need to be corrected in order to increase your time, financial, communication, and organization skills. Without continued self-development, your personal management skills will falter and the awesome person that you are will fail to reach its full potential.

    A few ways to increase your continued self-development skills are as under:

    ❖ Schedule a weekly appointment with yourself in order to evaluate your progress and your setbacks

    ❖ Spend time each morning focusing on what it is you're going to accomplish for the day

    ❖ Review your day at its closing and accept the areas that need work and praise yourself for the day's victories

    ❖ Remain open-minded and flexible. Remember, change is inevitable.

    ❖ Create goals and long term objectives

    ❖ No matter what, continue moving forward

12.4.3 Importance of Self-management

Self-management can be defined as your belief in your own ability to do whatever it is you set out to do. If you feel that regardless of how hard you try, nothing ever seems to work in your favour, or that you will never be able to accomplish a set goal because you are simply 'not good enough', you have very low levels of self-management and this will have a big influence on your motivational levels to start and stick with any diet or exercise program.

There are four main factors that can affect the self-management that you demonstrate, these being actual experience, vicarious experience, verbal persuasion, and the emotional and physiological states you find yourself in.

1. *Actual Experience:* The actual experience component of self-management is just that – the actual experience you go through. If you consistently find yourself skipping workouts or digging into the second helping of food, you are going to find that your belief in your own ability to stick with a plan is largely going to go down. Likewise, if you are able to persevere in the face of a challenge, you'll likely find that as time progresses, it actually becomes easier to say 'no' to things that will harm your efforts because your belief in your capability to do so goes up.

2. *Vicarious Experience:* Next come the vicarious experiences you encounter. This is what you see others doing around you – for example, if a friend is dieting right along with you, however, is experiencing a much more rapid success rate than you are, this could lead to negative feelings in your own abilities to diet.

    It is important that you take these vicarious experiences in context. Remember that there are different circumstances for each situation and that you are doing the best with your own individual scenario. This will hopefully help to keep these vicarious experiences in perspective.

3. *Verbal Persuasion:* After that is verbal persuasion. This consists of all the comments that others might make to you while you are going about your dieting and fitness efforts.

If they are commenting on how great your ability is to maintain your workouts, and passerby's tell you they are impressed that they see you at the gym each and every day, this will further enhance your motivational levels.

Example: If a friend is constantly telling you it's okay to just cheat 'this once', and you do give in, this will affect your self-management levels in a negative way.

4. *Emotional and Physiological States:* Lastly, we come to the emotional and physiological states that you find yourself in. If you sense that you are hungry while on your diet and start telling yourself that you are absolutely starving and feel as though you never get to eat, chances are you will blow this feeling out of proportion and it will likely lead you to cheat on your diet plan.

If on the other hand, you sense this hunger, recognize that it is there but that you can deal with it, you will be more likely to push through and stick with your plan as you will have greater feelings of self-control over the situation.

So, be sure you keep these four factors in mind next time you start up a new diet or fitness goal. They can impact your progress in many, ways – ways in which sometimes you are not even aware of.

By getting your thinking in line, however, you can help to ensure you make the most of your experience and come out with great success.

12.4.4 Implications of Self-management and Individual Management in the Workplace

More recently, an extensive review of the growing body of research dealing with the direct and indirect influence of self-management on work-related personal and organizational effectiveness. The impact of self-management includes a wide range of topics such as training and development, teaming (i.e., collective management), change and innovation, leadership, and stress.

1. *Selection/Promotion Decisions:* Organizations should select individuals who have high levels of self-management. These people will be motivated to engage in the behaviours that will help them perform well in the workplace. A measure of self-management can be administered during the hiring/promotion process.

2. *Training and Development:* Organizations should consider employee levels of self-management when choosing among candidates for training and development programs. If the training budget is limited, then greater return (i.e., job performance) on training investment can be realized by sending only those employees high in self-management. These people will tend to learn more from the training and, ultimately, will be more likely to use that learning to enhance their job performance.

3. *Goal Setting and Performance:* Organizations can encourage higher performance goals from employees who have high levels of self-management. This will lead to higher levels of job performance from employees, which is critical for many organizations in an era of high competition.

Self-management (beliefs about one's ability to accomplish specific tasks) influences the tasks employees choose to learn and the goals they set for themselves. Self- management also affects employees' level of effort and persistence when learning difficult tasks. Four sources of self-management are past performance, vicarious experience, verbal persuasion, and emotional cues. Managerial and organizational implications of self-management in the workplace include hiring and promotion decisions, training and development, and goal setting.

Notes

> [Task icon] *Task* Some employees are affected by workplace stress because they experience life events requiring change outside of work. What might the phrase "life events" refer to in the statement?

Self Assessment

Fill in the blanks:

10. .... has assumed greater importance in the modern organisations.

11. .... is defined as the personal application of behaviour change tactics that produces a desired change in behaviour.

12. .... of mind through meditation, hypnosis and biofeedback can effectively reduce mental tensions.

12.5 Handling Stress at Workplace

Stress affects everyone and everyone reacts differently to it. A person's reaction to stress depends on their physical or mental make-up, their level of vulnerability, and what is happening in their life.

Management can pro-actively manage the risks of stress by telling staff about the personal costs effects and risks that result from stress in the workplace.

Larger organisations might invest in stress reduction strategies, such as:

● employee assistance programs: confidential services for all employees and their families to deal with problems that may be causing difficulties in their work or personal lives.

● mental wellness forums, or activities that promote healthy practices such as home and life balance, physical exercise, diet, and stress reduction practices.

All organisations can promote stress reduction plans in staff recruitment, induction and training processes put reminders and tips for stress management in staff bulletins or on noticeboards print this fact sheet and make available to all staff.

During these times with the economy in difficulty it may seem harder than ever to cope with the demands and challenges in the workplace. The stress we take with us from home, the commute to and from work and the stress that awaits us when we get to the job are on the rise – and employers, managers and workers, regardless of the industry, are all feeling this added pressure. While some stress is a normal part of life, excessive stress and distress interferes with productivity, working relationships and physical and emotional health.

So it's important to find ways to keep stress levels under control. Fortunately, there are ways to reduce stress at work.

1. *Coping with stress in today's uncertain work climate:* Workers everywhere are feeling the emotional roller coaster ride of the troubled economy with 'redundancy', 'layoffs' and 'cut-backs' having become common words heard in the workplace. The result is increased fear, higher levels of stress and constant uncertainty about job security. Since workplace stress increases during times of economic crises it's important to learn new and better ways of coping with the pressure. Certainly the ability to manage stress in the workplace can make a big difference between success and failure on the job, and the better you

manage your stress the more you'll positively affect those around you, likewise the negative stress of others will affect you less.

2. *Learn to manage your job stress:* There are a variety of steps you can take to reduce your overall personal stress levels and the stresses from your job and workplace. These can include–

    ❖   Taking responsibility for improving your physical and emotional well-being, why not attend a stress management workshop or seminar if you have the opportunity (or follow some of the tips on this post).

    ❖   Avoiding pitfalls by identifying negative attitudes and reactions that add to the stress you experience at work or with work colleagues.

    ❖   Learn better communication skills and improve your relationships with management and co-workers. Take a moment to think before responding if you are feeling highly stressed, sometimes harsh words are spoken in haste which can damage colleague relationships, sometimes for good.

3. *Some of the warning signs of excessive stress at work:* When people feel overwhelmed and distressed they lose confidence, focus and very often become withdrawn and irritable, which in turn affects productive and effectiveness at work. If the warning signs of work stress go unattended they often lead to much bigger problems.

    Signs and symptoms of Stress

    ❖   Feeling anxious, irritable and/or depressed

    ❖   Apathy, loss of interest in work

    ❖   Fatigue, sleeping problems

    ❖   Trouble to focus and concentrate

    ❖   Muscle tension/headaches

    ❖   Stomach problems

    ❖   Loss of sex drive

    ❖   Social withdrawal

    ❖   Increased use of alcohol or drugs to cope

4. *Take care of yourself and reduce work stress:* When stress in the workplace interferes with your ability to work, care for yourself, spend time with family or friends or manage a personal life then its time to take action. Start by paying attention to your health, both physically and emotionally. When you take the time to care for yourself you become stronger and more resilient to stress, thus becoming better equipped to manage stress at work.

    Even making small changes today can lift your mood and increase your energy & determination. Take things one step at a time and as you make more positive choices in your life, you'll soon notice a difference in your stress levels, both at home and at work.

    ❖   *Learn to relax:* Take some time out every day and do something you enjoy, take a walk outside in the fresh air, read a book, learn some simple breathing exercises or meditation, and/or take up a 'movement' sport such as yoga.

    ❖   *Treat your body well:* Have a healthy diet (introduce fruit and vegetables into your daily meals and increase the amount of water you drink to about 8 glasses per day). Cut back on the soft drinks, alcohol and smoking.

❖ *Move your body:* Take up a physical exercise such as walking, swimming, yoga, jogging, hitting the gym etc. By exercising at least 3 to 4 times per week you increase your fitness levels, muscle tone, reduce stress and improve heart and lung function.

❖ *Take up a hobby:* Do something you really enjoy every week, it doesn't matter what you do, from stamp collecting to train spotting. Having our own hobby can do wonders for well-being and we all deserve a little 'me' time every week.

❖ Reduce Stress by prioritizing and organizing.

❖ When workplace stress is all around you, it cannot be ignored, but there are simple steps that can be taken to regain control.

5. *Time Management Tips:* Following are the time management tips in order to reduce stress:

❖ *Create a balanced schedule:* Analyse your schedule, responsibilities and daily tasks. All work and no play is a one way ticket for burnout. Try to find a balance between work and life outside the workplace, family, friends, social activities and relaxation.

❖ *Don't over-commit yourself:* Don't try to fit too much into one day. Have a realistic idea of the length of time a task is likely to take, very often the term 'it only takes 5 minutes' isn't the reality. If you've got too much on your 'to do' list learn to distinguish between the "should" and the "musts" and don't be afraid to drop those tasks that aren't truly necessary to the bottom of the list.

❖ *Try to leave earlier in the morning:* Especially if you are the type of person that's found rushing to his/her desk in the morning out of breath, by leaving a little earlier you ease into your day, rushing will only add to your stress levels.

❖ *Plan regular breaks:* Make sure to take some short breaks throughout the day to sit back and clear your mind. Try to get away from the desk for lunch, go outside and take a short walk. Stepping away from work to briefly relax will help you to be more (and not less) productive. We do not need to chain ourselves to the desk.

❖ *Prioritize tasks:* Make a 'to do' list everyday and tackle them in order of importance. Do the high-priority items first, likewise if you have a task you don't particularly like to do then do this first, the rest of you day will be more pleasant as a result.

❖ *Break projects into small bites:* If a project seems overwhelming, try making it a step by step plan. Focus on one step at a time, ticking it off the list as you go, this will give you the energy to tackle the rest of the project.

❖ *Delegate responsibility:* You really don't have to do everything yourself, either at home or on the job. If other people can do a task then why not let them? Let go of the need to control every step and by doing so you will let go of some unnecessary stress also.

As you learn to manage your job stress and improve work relationships, you'll have more control over your ability to think clearly and act appropriately. You will be able to break habits that add to your stress at work. Stress is here to stay, that's a fact, but with proper management we can all benefit with a richer and more stress free life.

Task Suggest some distressing ways at the individual level in teams where the members are hard pressed against meeting deadlines.

Self Assessment

State whether the following statements are true or false:

13. Smaller organisations might invest in stress reduction strategies.

14. Make sure to take some short breaks throughout the day to sit back and clear your mind.

15. All organisations can promote stress reduction plans in staff recruitment, induction and training processes.

Case Study   ## Stressed-out Managers

Losing a job is an obvious source of stress. But being the manager who has to do the firing is also a tremendous source of work-related stress. A manager who has to lay off too many people, too many times can experience the symptoms of burnout. "Victims are lethargic, feel empty, and are no longer able to take satisfaction in what they once enjoyed", explains Dr. Donald E Rosen, a psychiatrist who directs the Professionals in Crisis program at the Menninger Clinic in Topeka, Kansas. They also exhibit the physical signs of prolonged stress. "When there's a threat - whether it's to our bodies or to our self esteem – the mind ratchets up a few notches," says Dr. Gerald Kraines, a Harvard psychiatrist and CEO of the Levinson Institute. This is the body's natural response to short-term stress; but over the long haul, physical and mental reserves begin to break down, leading to burnout.

"I began wondering how many miscarriages this was causing…how many divorces, how many suicides?" Recalls David Sokol, a former partner with California Energy and former president of an even larger company. He had to preside over massive layoffs at both organisations. He managed the stress by "working harder so that I wouldn't have to think about it". A former marketing vice president at IBM lasted through several "re-organisations" at Big Blue but felt greater stress with each successive one. "I came home every night worried how this [laid-off worker] or that one was going to support himself. I snapped at my husband. I had trouble sleeping." Eventually, she left the company.

David Sokol adjusted his perceptions somewhat so that he could deal with the stress. The IBM manager handled it by leaving, and this is one of the costs to organisations created by the stress of burnout. Absenteeism and substance abuse are also common enough to impel many companies to now approach psychologists for help.

Companies can do something about the stress piled on the surviving managers when they are involved in restructuring or downsizing. Kraines recommends that top management - which usually doesn't do the firing itself - lead middle managers through the decision-making process that resulted in the necessary layoffs. That way, managers understand that they are not to blame for the decision. Companies also must reassure survivors that the organisational culture and values will remain intact. "People join companies for more than pay-checks," says Kraines. "You don't want people signing a new psychological contract they can't live with." Restructuring, downsizing – whatever an organisation wants to call it – is a stressful time for all involved. But it doesn't have to end in burnout.

Questions:

1. What kind of intrapersonal conflict do you think a manager who has to fire people experiences? How might he or she resolve it?

---

2. In addition to those mentioned above, what other steps might organisations take to manage the stress caused to managers who "survive" a downsizing effort but must fire people?

3. In addition to organisational interventions, what steps can individuals take to manage or reduce the stress caused by having to lay people off?

Source: Lee Smith, "Burned-out Bosses," Fortune, July 25, 1994 Page 44-52.

12.6 Summary

- Stress is a general term applied to various mental and physiological pressures experienced by people feel in their lives.

- Stress management can be defined as interventions designed to reduce the impact of stressors in the workplace.

- Stress can be positive or negative.

- Stress may be considered as any physical, chemical, or emotional factor that causes bodily or mental unrest and that may be a factor in causing disease.

- Effective stress management is significant because it ensures that you are able to go on with your life and get to enjoy every minute of it.

- Stress is a part of life, a normal response to demands emotional, intellectual, or physical.

- Self-administered consequences are not synonymous with self-reinforcement or self-punishment because the variables influencing the controlling response make self-management strategies more than an application of operant reinforcement.

- Individuals assume automatic responsibility and look for ways and means of dealing with their stress. Individuals are more concerned about their health.

- The impact of self-management includes a wide range of topics such as training and development, teaming (i.e., collective management), change and innovation, leadership, and stress.

- Self-management is defined as the personal application of behaviour change tactics that produces a desired change in behaviour.

- Implementing a self-management program can have a great impact on the target behaviour.

- Individuals assume automatic responsibility and look for ways and means of dealing with their stress.

- Self-management can be defined as your belief in your own ability to do whatever it is you set out to do.

12.7 Keywords

Biofeedback: Biofeedback is a process that involves measuring a person's specific and quantifiable bodily functions such as blood pressure, heart rate, skin temperature, and muscle tension, conveying the information to the patient in real-time.

Distress: A kind of suffering that occurs when an individual cannot adapt to stress.

Individual Management: Process of planning and outlining personal goals for your life, and then trying to fulfill these goals in your life.

Inter-personal Demands: These are pressures created by other employees.

Management: Management is the process of reaching organizational goals by working with and through people and other organizational resources.

Role Demands: Role demands relate to pressures placed on a person as a function of the particular role he or she plays in the organisation.

Self: A person's essential being that distinguishes them from others, especially considered as the object of introspection or reflexive action.

Stress: Stress is a psychological condition and body discomfort.

Stressor: An agent, condition, or other stimulus that causes stress.

Task Demands: Task demands are factors related to a person's job.

Transcendental Meditation: The Transcendental Meditation or TM technique is a form of mantra meditation used worldwide as a stress management technique.

12.8 Review Questions

1. Discuss the role of Hans Selye.

2. Highlight the significance of effective stress management.

3. Explain the types of stress.

4. What are the causes of an organisational stress?

5. Describe the causes of Non-organisational stress.

6. Elucidate the stress management techniques.

7. Define self-management.

8. How will you handle stress at workplace?

9. "A little stress is always welcome for better performance." Comment.

10. Highlight some of the time management tips.

Answers: Self Assessment

1.	True	2.	False
3.	False	4.	Role Ambiguity
5.	Work load	6.	Higher
7.	False	8.	True
9.	True	10.	Management
11.	Self-management	12.	Relaxation
13.	False	14.	True
15.	True		

12.9 Further Readings

Books

Aswathappa, K. (2007), "*Human Resource and Personnel Management*, Tata McGraw Hill.

Bhattacharyya, D. K. (2006), *Human Resource Management*, Excel Books.

Mathis, Robert L & Jackson, John H. (2007), *Human Resource Management,* Thomson.

Rao, P. L. (2004), *Comprehensive Human Resource Management*, Excel Books.

Rao, VSP (2005), *Human Resource Management,* Excel Books.

Online links

http://kalyan-city.blogspot.com/2011/03/what-is-stress-meaning-definition-and.html

http://tweakyourbiz.com/management/2010/03/19/managing-your-stress-in-the-workplace/

http://www.articlesbase.com/stress-management-articles/these-is-the-significance-of-effective-stress-management-490160.html

http://www.articlesbase.com/stress-management-articles/these-is-the-significance-of-effective-stress-management-490160.html

http://www.fatfreekitchen.com/stress/

http://www.whatisholistic.com/definitions/stress_management

Unit 13: Motivation and Morale Boosting

Objectives

After studying this unit, you will be able to:

- Discuss an overview of Motivation

- Describe the Motivational Theories as Individual Needs

- Explain the Employee Morale and Productivity

● Discuss the causes of low employee morale and how to avoid them

● Explain the tips to boost Employee Morale

Introduction

In the previous unit, we dealt with the concept and consequence of stress at workplace along with the concept of Individual management and Self-management. Businesses—and, in fact, any group endeavor—can benefit from high morale and motivation. Motivation is a dynamic HR process and there cannot be any greatest organisation-specific motivation tool. The subject of motivation, perhaps received attention from management thinkers worldwide. Even then we find we are not able to address the problem, as employee demotivation is a perennial issue from the days of industrial revolution. Before industrial revolution, such a problem was non-existent, as owners of labour services and owners of means of capital had the same identity and motivation for work was spontaneous in a home-centered production system. At the end of this, unit you should be able to understand the concept and theories of motivation along with the concept of employee morale and productivity .

13.1 Motivation: An Overview

Motivation is the word derived from the word 'motive' which means needs, desires, wants or drives within the individuals. It is the process of stimulating people to actions to accomplish the goals. In the work goal context, the psychological factors stimulating the people's behaviour can be:

● desire for money

● success

● recognition

● job-satisfaction

● team work, etc.

The term 'motivation' has its origin in the Latin word "mover" which means to "move". Thus, motivation stands for movement. One can get a donkey to move by using a "carrot or a stick", with people one can use incentives, or threats or reprimands. However, these only have a limited effect. These work for a while and then need to be repeated, increased or reinforced to secure further movement. The term "motivation" may be defined as *"the managerial function of ascertaining the motives of subordinates and helping them to realize those motives"*.

According to Dubin, motivation could be defined as *"the complex of forces starting and keeping a person at work in an organisation. Motivation is something that moves the person to action, and continues him in the course of action already initiated"*. Motivation refers to the way a person is enthused at work to intensify his/her desire and willingness to use and channelise his/her energy for the achievement of organisational objectives. It is something that moves a person into action wand continue him in the course of action enthusiastically. The role of motivation is to develop and intensify the desire in every member of the organisation to work effectively and efficiently in his position.

In the words of Dalton E. McFarland, *"motivation is the way in which urges, desires, aspiration, striving or needs direct, control or explain the behaviour of human being"*. Motivation has very close relationship with the behaviour. It explains how and way the human behaviour is caused. According to McFarland, *"motivation is a form of tension occurring within individual, with resulting behaviour aimed at reducing, eliminating or diverting the tension. Understanding the needs and drives and*

their resulting tensions helps to explain and predict human behaviour ultimately providing a sound basis for managerial decision and action." Thus, motivation is the term, which applies to the entire class of urges, drives, desires, needs and similar forces.

Motivating people can be challenging because associates are individuals, meaning what works for one, may not work for another. Managers must be able to communicate with associates. According to Kenneth Kovach (1999), managers sometimes disregard the most important motivational techniques when dealing with associates. Managers often think monetary incentives are the best way to motivate associates, but more often than not non-monetary incentives are best. Kovach's survey provides good ideas for motivational opportunities.

According to Rensis Likert, motivation is the "core of management." Motivation is an important function performed by manager for actuating the people to work for the accomplishment of organisational objectives. Issuance of well-conceived instructions and orders does not mean that they will be followed. A manager has to make appropriate use of various techniques of motivation to enthuse the employees to follow them. Effective motivation succeeds not only in having an order accepted but also in gaining a determination to see that it is executed efficiently and effectively.

Motivation is an important tool that is often under-utilized by managers in today's workplace. Managers use motivation in the workplace to inspire people to work, both individually and in groups, to produce the best results for business in the most efficient and effective manner. It was once assumed that motivation had to be generated from the outside, but it is now understood that each individual has his own set of motivating forces. It is the duty of the manager to carefully identify and address these motivating forces. Managers may lack knowledge in implementing successful motivational programs that increase production and create a positive work environment. Although, there are many types of motivation, management must identify with their associates (employees) on an individual level for successful programs. The goal of every manager is to increase production and efficiency to reach maximum results for the organization. Motivation for better performance depends on job satisfaction, achievement, recognition, and professional growth. Providing a positive motivational work environment is a challenging managerial activity. Therefore, managers must understand associates and their professional needs.

Did u know? **Employee Motivation at INFOSYS**

Infosys has three-pronged approach when it comes to ensuring employee motivation.

1. *Learning Value:* Add through opportunities for continuous learning and exposure to technology and assignments as Infosys partners with clients in Transforming their business.

2. *Financial Value:* Add through competitive salaries, valuable pay philosophy, asset generation opportunities.

3. *Emotional Value:* Add through a fair and rewarding work environment and a culture that has been built in Infosys through various initiatives and systems.

Motivation refers to the drive and efforts to satisfy a want or goal, whereas satisfaction refers to the contentment experienced when a want is satisfied. In contrast, inspiration is bringing about a change in the thinking pattern. On the other hand, manipulation is getting the things done from others in a predetermined manner.

Hence, manipulation or external stimulus as well as inspiration or internal stimulus acts as carriers of either demotivation or motivation which, in turn, either results into dissatisfaction or satisfaction depending upon.

Figure 13.1: Difference between Motivation, Satisfaction, Inspiration and Manipulation

Source: http://www.laynetworks.com/TYPES-OF-MOTIVATION.html
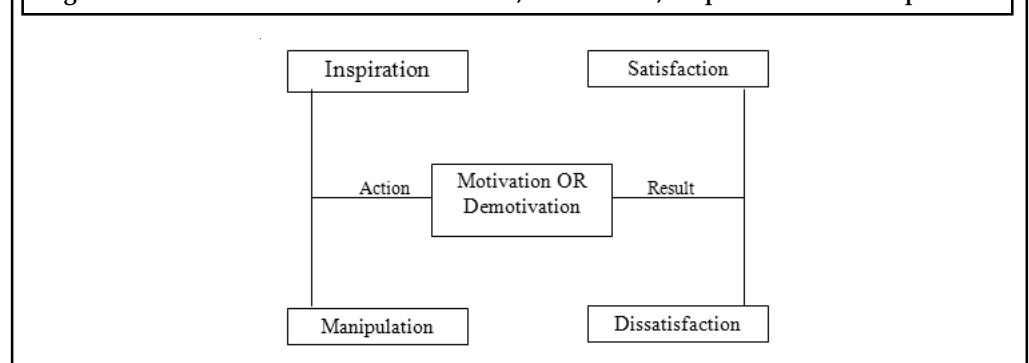
13.1.1 Objectives of Motivation

Motivation enhances performance and improves productivity. Therefore, motivation fulfils following important objectives of an organisation:

1. It ensures productive use of resource – Physical, financial and human resources are the important resource constructs for an organisation. Proper utilisation of such resources is only possible when people in the organisation feel motivated. Motivation leads to goal directed behaviour, which in turn facilitates productive utilisation of all such resources. Important measures for productive use of resources are 'total factor productivity indices' and labour productivity indices, which we have discussed separately.

2. The other important objective of motivation is increased efficiency of people. Efficiency of motivated people increases, as it augments their willingness to work. Increased efficiency also contributes to cost reduction.

3. A motivated employee also becomes quality conscious, as behaviourally he identifies himself with the organisation and always tries to take extra care for his jobs. Motivation, therefore also strengthens quality objectives of an organisation.

4. By promoting goal directed behaviour, motivated employees also help to realise organisational objectives and strategies.

5. Motivation also promotes friendly work culture, increased morale, increased sense of responsibility, sense of belonging, integration of individual identity with organisational identity, teamwork, participative decision-making, etc. All these together create an environment for creativity and growth and truly transforms an organisation into an enabling one.

6. Motivation ensures organisational stability by reducing employee turnover and absenteeism.

13.1.2 Importance of Motivation

Motivation is a very important for an organization because of the following benefits it provides:

1. *Puts human resources into action:* Every concern requires physical, financial and human resources to accomplish the goals. It is through motivation that the human resources can be utilized by making full use of it. This can be done by building willingness in employees to work. This will help the enterprise in securing best possible utilization of resources.

2. *Improves level of efficiency of employees:* The level of a subordinate or a employee does not only depend upon his qualifications and abilities. For getting best of his work performance, the gap between ability and willingness has to be filled which helps in improving the level of performance of subordinates. This will result into:

    ❖   Increase in productivity,

    ❖   Reducing cost of operations, and

    ❖   Improving overall efficiency.

3. *Leads to achievement of organizational goals:* The goals of an enterprise can be achieved only when the following factors take place:

    ❖   There is best possible utilization of resources,

    ❖   There is a co-operative work environment,

    ❖   The employees are goal-directed and they act in a purposive manner,

    ❖   Goals can be achieved if co-ordination and co-operation takes place simultaneously which can be effectively done through motivation.

4. *Builds friendly relationship:* Motivation is an important factor which brings employees satisfaction. This can be done by keeping into mind and framing an incentive plan for the benefit of the employees. This could initiate the following things:

    ❖   Monetary and non-monetary incentives,

    ❖   Promotion opportunities for employees,

    ❖   Disincentives for inefficient employees.

    In order to build a cordial, friendly atmosphere in a concern, the above steps should be taken by a manager. This would help in:

    ❖   Effective co-operation which brings stability,

    ❖   Industrial dispute and unrest in employees will reduce,

    ❖   The employees will be adaptable to the changes and there will be no resistance to the change,

    ❖   This will help in providing a smooth and sound concern in which individual interests will coincide with the organizational interests.

5. *Leads to stability of work force:* Stability of workforce is very important from the point of view of reputation and goodwill of a concern. The employees can remain loyal to the enterprise only when they have a feeling of participation in the management. The skills and efficiency of employees will always be of advantage to employees as well as employees. This will lead to a good public image in the market which will attract competent and qualified people into a concern. As it is said, "Old is gold" which suffices with the role of motivation here, the older the people, more the experience and their adjustment into a concern which can be of benefit to the enterprise

    From the above discussion, we can say that motivation is an internal feeling which can be understood only by manager since he is in close contact with the employees. Needs, wants and desires are inter-related and they are the driving force to act. These needs can be understood by the manager and he can frame motivation plans accordingly. We can say that motivation therefore is a continuous process, since, motivation process is based on needs which are unlimited. The process has to be continued throughout.

We can summarize by saying that motivation is important both to an individual and a business. Motivation is important to an individual as:

❖   Motivation will help him achieve his personal goals.

❖   If an individual is motivated, he will have job satisfaction.

❖   Motivation will help in self-development of individual.

❖   An individual would always gain by working with a dynamic team.

Similarly, motivation is important to a business as:

❖   The more motivated the employees are, the more empowered the team is.

❖   The more is the team work and individual employee contribution, more profitable and successful is the business.

❖   During period of amendments, there will be more adaptability and creativity.

❖   Motivation will lead to an optimistic and challenging attitude at work place.

Example: **Promotion Policies as a Motivator at IOC**

At the Indian Oil corporation, the promotion policy caters to the self-actualization need of the employees by prescribing that vacancies for higher positions must be filled up from within, wherever possible, i.e., whenever suitable departmental candidates exist. Mid-level outside recruitment is indulged in only when departmental candidates do not possess the requisite qualifications, experience and expertise. Promotions are based on both merit and seniority. They are authorized by a duly constituted departmental promotion committee.

13.1.3 Types of Motivation

In the workplace, some employees like repeating the same tasks. Others need variety to stay motivated. So tune in to what makes your employees happy at work. There are actions you can take which will increase the odds of you having a motivated, performing workforce. It helps to understand the types of motivation and also what can be done to improve team motivation.

1.   *Achievement Motivation:* It is the drive to pursue and attain goals. An individual with achievement motivation wishes to achieve objectives and advance up on the ladder of success. Here, accomplishment is important for its own shake and not for the rewards that accompany it. It is similar to 'Kaizen' approach of Japanese Management. This is the motivation of a person to attain goals. The longing for achievement is inherent in every man, but not all persons look to achievement as their motivation. They are motivated by a goal. In order to attain that goal, they are willing to go as far as possible. The complexity of the goal is determined by a person's perception. To us, the terms "simple" and "complex" are purely relative. What one person thinks is an easy goal to accomplish may seem to be impossible to another person. However, if your motivation is achievement, you will find that your goals will grow increasingly complex as time goes by.

2.   *Affiliation Motivation:* It is a drive to relate to people on a social basis. Persons with affiliation motivation perform work better when they are complemented for their favorable attitudes and co-operation. Some people consider socialization to be their main motivation for actions. This is especially evident in the situation of peer pressure. Some people are willing to do anything to be treated as an equal within a group structure. The idea of being accepted among a group of people is their motivation for doing certain things.

3. *Competence Motivation:* It is the drive to be good at something, allowing the individual to perform high quality work. Competence motivated people seek job mastery, take pride in developing and using their problem-solving skills and strive to be creative when confronted with obstacles. They learn from their experience.

4. *Power Motivation:* It is the drive to influence people and change situations. Power motivated people wish to create an impact on their organization and are willing to take risks to do so.

5. *Attitude Motivation:* Attitude motivation is how people think and feel. It is their self confidence, their belief in themselves, their attitude to life. It is how they feel about the future and how they react to the past.

6. *Incentive Motivation:* It is where a person or a team reaps a reward from an activity. It is "You do this and you get that", attitude. It is the types of awards and prizes that drive people to work a little harder. This motivation involves rewards. People who believe that they will receive rewards for doing something are motivated to do everything they can to reach a certain goal. While achievement motivation is focused on the goal itself, incentive motivation is driven by the fact that the goal will give people benefits. Incentive motivation is used in companies through bonuses and other types of compensation for additional work. By offering incentives, companies hope to raise productivity and motivate their employees to work harder.

7. *Fear Motivation:* Fear motivation coercions a person to act against will. It is instantaneous and gets the job done quickly. It is helpful in the short run. When incentives do not work, people often turn to fear and punishment as the next tools. Fear motivation involves pointing out various consequences if someone does not follow a set of prescribed behaviour. This is often seen in companies as working hand-in-hand with incentive motivation. Workers are often faced with a reward and punishment system, wherein they are given incentives if they accomplish a certain goal, but they are given punishments when they disobey certain policies.

8. *Change motivation:* Sometimes people do things just to bring about changes within their immediate environment. Change motivation is often the cause of true progress. People just become tired of how things are and thus, think of ways to improve it.

13.1.4 How to Motivate Employees?

The following are the ways with the help of which the organization can motivate its employees:

1. *Recognise individual differences:* Employees are not homogeneous. They have different needs. They also differ in term of attitudes, personalities and other important variables. So, recognise these differences and handle the motivational issues carefully.

2. *Match people to jobs:* People with high growth needs perform better on challenging jobs. Achievers will do best when the job provides opportunities to participatively set goals and when there is autonomy and feedback. At the same time, keep in mind that, not everybody is motivated in jobs with increased autonomy, variety and responsibility.

3. *Use goals:* Provide specific goals, so that the employee knows what he is doing. Also, let people know what you expect of them. Make people understand that they can achieve the goals in a smooth way. If you expect resistance to goals, invite people to participate in the goal-setting process.

4. *Individualise rewards:* Use rewards selectively, keeping the individual requirements in mind. Some employees have different needs, what acts as a motivator for one may not for

Notes

another. So, rewards such as pay, promotion, autonomy, challenging jobs, participative management must be used keeping the mental make-up of the employee in question.

5. *Link rewards to performance:* Make rewards contingent on performance. To reward factors other than performance (favouritism, nepotism, regionalism, apple-polishing, yes-sir culture, etc.), will only act to reinforce (strengthen) those other factors. Employee should be rewarded immediately after attaining the goals.

6. *Check the system for equity:* The inputs for each job in the form of experience, abilities, effort, special skills, must be weighed carefully before arriving at the compensation package for employees. Employees must see equity between rewards obtained from the organisation and the efforts put in by them.

7. *Don't ignore money:* Money is a major reason why most people work. Money is not only a means of satisfying the economic needs but also a measure of one's power, prestige, independence, happiness and so on. Money can buy many things. It can satisfy biological needs (food, shelter, sex, recreation, etc.) as well as security, social and esteem needs.

Example:

1. A 3 percent pay raise each year for employees who have a 99 percent attendance rating is a motivating financial reward.

2. Offering an extra week of paid vacation for employees that reach their five-year service anniversary can be part of a package that improves employee retention.

3. Giving the "employee of the month" a printed certificate and one month's use of a designated parking spot close to the office entrance costs the company nothing, but it can become a strong motivating factor for employees.

Task Critically analyse the ways with the help of which an organization can retain its employees for long term?

Caselet   **A Comprehensive Study: Hard-working & Motivated Employees**

A present case study on the organizational culture of Nucor Corporation, a company that melts scrap steel from cars, dishwashers, mobile homes, etc., in an electric furnace to make new steel, revealed an integrated approach to employee motivation. The employees were willing to "go the extra mile" even when there was no direct reward given to them. This attitude is uncommon in today's working society. A look at Nucor can help influence a motivational organizational structure in more companies throughout the world.

Nucor builds on the recommendations of Abraham Maslow, Clay Alderfer, and David McClelland by emphasizing individual achievement, which leads to motivated employees that produce record results for the company. However, it seems the theory of Victor Vroom, who is responsible for the expectancy theory, is also evident in this study.

Contd...

The expectancy theory states that people are motivated to behave in ways that produce valued outcomes. The employees at Nucor value money and are willing to do whatever it takes to make sure the company is successful. They realize the more successful the company, the more income they earn. The employees at Nucor have a positive valence for earning more money and receiving recognition for achieved goals and new ideas. All men put the same concepts into their own words about the needs of individuals and how they can be motivated.

There seems to be no hygiene factors influencing the employees at Nucor. All of the employees appear to be highly motivated. This motivation is seen in the example of the three engineers who dropped everything and immediately traveled to Arkansas to help get that plant back up and running when the electrical grid failed. All three joined in and worked long hours to get the plant running again ahead of schedule, reducing the time lost on production and saving the company money. They received no immediate monetary benefit, but they knew that saving the company money would save them and their colleagues future bonus money and paychecks.

Equity theory plays a major role in keeping the Nucor employees motivated. The CEO Daniel DiMicco is one with his employees. He flies commercial with them, does not have an executive parking space, and even makes a fresh pot of coffee when he takes the last cup. He is living the attitude, "I will not ask you to do anything I will not do myself."

The experienced steelworker at Nucor makes from $6 to $11 dollars an hour less than the average steelworker at another company. That Nucor steelworker, however, has the opportunity to earn three times that of the steelworkers elsewhere, if the entire shift can produce defect-free steel. If this goal is not met they will take home a sub par paycheck. To avoid the disappointment of a sub par paycheck, they make sure their efforts are such that produce the desired results.

The organizational culture is one of sharing, team work, and acceptance of company goals and the plan to reach those goals. The employees put egos aside and learn from each other certain practices and techniques that will benefit the company. They are one big team. This creates an "all for one and one for all" teamwork oriented organizational culture motivating them to work hard and efficiently together.

Also, the employees within this organization possibly feel more like business owners than employees. Just as the owner of Nucor who is largely at risk financially and whose income will fluctuate with profits, so too does the income of the employees fluctuate. It is almost as if they are given a blank check and a pen with the permission to fill in an amount based on their efforts. Although the owner has no ceiling on his income and the employees do, the employees still have the ability to control their financial income making the organizational structure also one of freedom.

It may not be easy at first for a company to copy what is going on at Nucor, but it with some hard work and strong managers, it can be done. Many employees today feel undervalued and underappreciated, causing their work to suffer because of poor hygiene factors. Once the dissatisfied employees begin to feel appreciated for their time and efforts, and they see the new income they are generating, they will begin to feel valuable and want to perform to the best of their abilities. Money and respect can be excellent motivators for many employees, and when received, those employees will become valuable assets to the company.

Source: http://voices.yahoo.com/a-case-study-hard-working-motivated-employees-4906956.html

Self Assessment

State whether the following statements are true or false:

1. Motivation is an important tool that is often under-utilized by managers in today's workplace.

2. Satisfaction refers to the contentment experienced when a want is unsatisfied.

3. Stability of workforce is very important from the point of view of reputation and goodwill of a concern.

13.2 Motivational Theories: Individual Needs

At a simple level, it seems obvious that people do things, such as go to work, in order to get stuff they want and to avoid stuff they don't want. Why exactly they want what they do and don't want what they don't is still something a mystery. It's a black box and it hasn't been fully penetrated. Overall, the basic perspective on motivation looks something like this:

Figure 13.2: Diagram of Motivation

Source: http://www.analytictech.com/mb021/motivation.htm
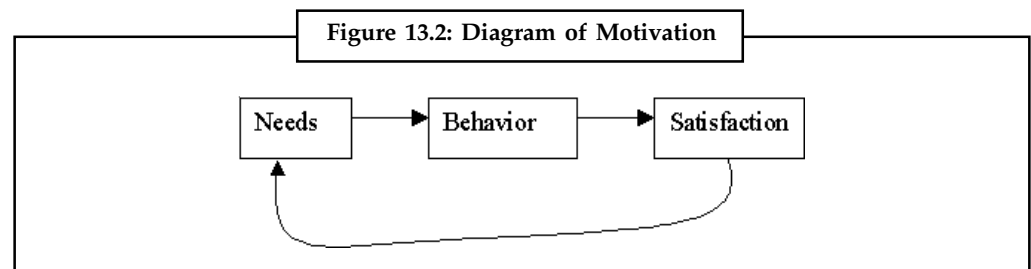
In other words, you have certain needs or wants (these terms will be used interchangeably), and this causes you to do certain things (behaviour), which satisfy those needs (satisfaction), and this can then change which needs/wants are primary (either intensifying certain ones, or allowing you to move on to other ones).

A variation on this model, particularly appropriate from an experimenter's or manager's point of view, would be to add a box labeled "reward" between "behaviour" and "satisfaction". So that subjects (or employees), who have certain needs do certain things (behaviour), which then get them rewards set up by the experimenter or manager (such as raises or bonuses), which satisfy the needs, and so on.

13.2.1 Maslow's Hierarchy of Needs Theory

In the late 1930s Abraham Maslow, a psychology professor at Brandeis University, began interviewing his subjects on the basis of their needs. In 1943 he published the Hierarchy of Needs. His works illustrated, in a pyramid formation, the five categories of human needs, from the physiological to self-actualization. Physiological needs are basic food, water and shelter. Once these rudimentary needs are met, individuals aspire to fulfill other needs in hierarchical order: safety, love and relationships, self-esteem, until finally self-actualization. Incidentally, his theory also states that as each level of need is obtained, its value diminishes because the individual is continually striving to get to the next level. Maslow's theory was the first of its kind to be applied to business, as employees' quests for self-actualization are used in today's managerial practices to motivate them.

Abraham Maslow defined need as a physiological or psychological deficiency that a person feels the compulsion to satisfy. This need can create tensions that can influence a person's work

attitudes and behaviours. Maslow formed a theory based on his definition of need that proposes that humans are motivated by multiple needs and that these needs exist in a hierarchical order. His premise is that only an unsatisfied need can influence behaviour; a satisfied need is not a motivator.

Maslow's theory is based on the following two principles:

- *Deficit principle:* A satisfied need no longer motivates behaviour because people act to satisfy deprived needs.

- *Progression principle:* The five needs he identified exist in a hierarchy, which means that a need at any level only comes into play after a lower-level need has been satisfied.

In his theory, Maslow identified five levels of human needs. Figure 13.3 illustrates these five levels and provides suggestions for satisfying each need.

Figure 13.3: Diagram of Maslow's Hierarchy of Needs
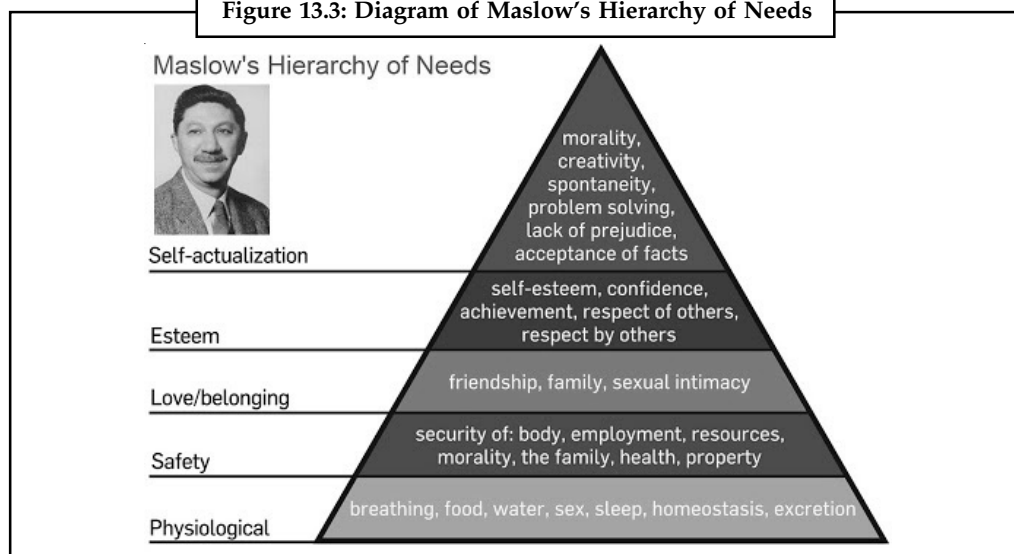
Source: http://lh6.ggpht.com/_iFIztPmvqg8/TCV1ifbPCTI/AAAAAAAAC3g/5gdwbBhtK3M/
Maslow-Hierarchy-of-Needs-Motivation-Theory.jpg

According to Maslow, lower needs take priority. They must be fulfilled before the others are activated which are shown in above given figure are explained as follows:

1. *Physiological needs:* These are the very basic needs such as air, water, food, sleep etc. When these are not satisfied we may feel sickness, irritation, pain, discomfort, etc.

2. *Safety needs:* We need the security of a home, family and job.

3. *Love and needs of belonging:* Humans have a strong desire to affiliate by joining groups such as societies, clubs, professional associations, churches and religious groups, etc. There is a universal need to feel love and acceptance by others.

4. *Self-esteem needs:* There are essentially two types of esteem needs: self-esteem resulting from competence or mastery of a task; and the esteem and good opinion of other people.

5. *Need for self-actualization:* Maslow theory of motivation proposes that people who have all their "lower order" needs met progress towards the fulfilment their potential. It include the pursuit of knowledge, peace, esthetic experiences, self-fulfillment, oneness with God, nirvana, enlightenment etc. So ultimately this is all to do with the desire for self transcendence.

The levels are presented in the form of a triangle or a pyramid with the largest and most fundamental levels of needs at the bottom tier, and the need for self-actualization at the top. According to Maslow physiological, security, social, and esteem needs are deficiency needs or D-needs that arise because of deprivation. The highest-level of the pyramid is called the growth needs or B-needs. The limitations with this theory lie in the fact that different cultures may cause people to have different hierarchies of needs. People necessarily may not satisfy one level after another and may have other needs not mentioned in the list and may be ready to sacrifice some needs.

A business should, therefore, offer different incentives to workers in order to help them fulfill each need in turn and progress up the hierarchy (see below). Managers should also recognise that workers are not all motivated in the same way and do not all move up the hierarchy at the same pace. They may therefore have to offer a slightly different set of incentives from worker to worker.

Specific examples of these types are given below, in both the work and home context. (Some of the instances, like "education" are actually satisfiers of the need.)

Need	Home	Job
self-actualization	education, religion, hobbies, personal growth	training, advancement, growth, creativity
esteem	approval of family, friends, community	recognition, high status, responsibilities
belongingness	family, friends, clubs	teams, depts, coworkers, clients, supervisors, subordinates
safety	freedom from war, poison, violence	work safety, job security, health insurance
physiological	food water sex	Heat, air, base salary

Source: http://www.analytictech.com/mb021/motivation.htm

According to Maslow, lower needs take priority. They must be fulfilled before the others are activated. There is some basic common sense here — it's pointless to worry about whether a given color looks good on you when you are dying of starvation, or being threatened with your life. There are some basic things that take precedence over all else.

13.2.2 Alderfer's ERG Theory

ERG theory of Clayton Alderfer is a modification of Maslow's hierarchy of needs. Instead of the five needs that are hierarchically organized, Alderfer proposed that basic human needs may be grouped under three categories, namely, Existence, Relatedness, and Growth (see the following figure). Existence need corresponds to Maslow's physiological and safety needs, relatedness corresponds to social needs, and growth need refers to Maslow's esteem and self actualization.

Clayton Alderfer developed another need theory that streamlines Maslow's. Alderfer does not disagree with Maslow's hierarchy of needs completely. He suggests that as more concrete needs are satisfied, less concrete need become more important. Instead of the five deeds that Maslow believes should be satisfied, Alderfer says there are only three important needs: existence, relatedness, and growth.

Clayton Alderfer's ERG theory differs from Maslow's theory in three respects is shown in Figure 13.4.

Figure 13.4: Alderfer's ERG Theory

*Source:*http://www.swlearning.com/management/nelson-quick/uob1e/powerpoint/ch05/sld010.htm
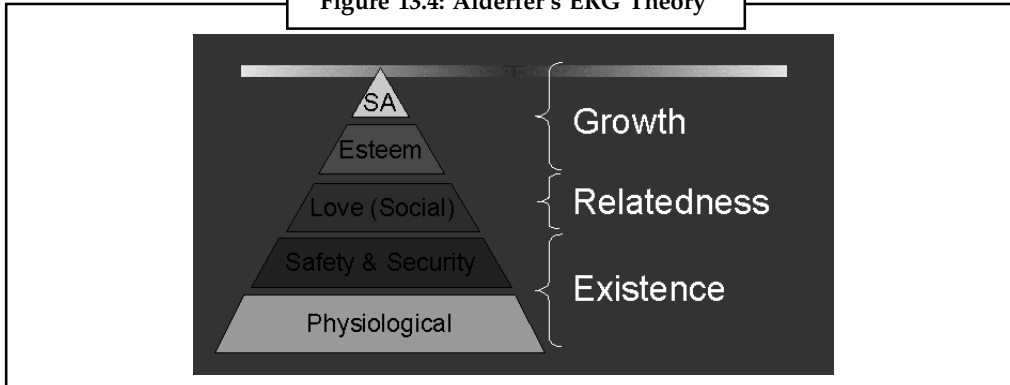
Firstly, the theory collapses Maslow's five need categories into three as shown in above figure.

1. ***Existence Needs*** co-relate to Maslow's first two levels. This group of needs is concerned with providing the basic requirements for material existence, such as physiological and safety needs.

Example: In a work context this need is satisfied by money earned in a job for the purchase of food, shelter, clothing, etc.

2. ***Relatedness Needs*** co-relate to Maslow's third and fourth levels. This group of needs focuses on the desire to establish and maintain interpersonal relationships with family, friends, co-workers and employers. This need includes the need to interact with other people, receive public recognition, and feel secure around people.

Example: In a work context and given the amount of time most people spend at work this need is normally satisfied to some extent by their relationships with colleagues and managers.

3. ***Growth Needs*** co-relate to Maslow's fourth and fifth levels. These needs are about the fulfillment of desires to be creative, productive and to complete meaningful tasks in order to build and enhance a person's self-esteem through personal achievement. These needs are all about by personal development.

Example: In a work context a person's job, career, or profession can provide a significant satisfaction of growth needs.

Secondly, whereas Maslow's theory argues that individuals move up the hierarchy as a result of the satisfaction of lower order needs. ERG theory includes a unique frustration - regression component. This suggests that an already satisfied need can become activated when a higher need cannot be satisfied. Thus, if a person is continually frustrated in his or her attempts to satisfy growth needs, relatedness needs can again surface as key motivators. ERG theory offers a more flexible approach to understanding human needs than does Maslow's strict.

There are some differences between the ERG theory and the hierarchy of needs theory. For one, the ERG theory does not believe in levels of needs. A lower level need does not have to be gratified. This theory accounts for a variety of individual differences, which would cause a worker to satisfy their need at hand, whether or not a previous need has been satisfied. The second difference is that if a more important need is not gratified, the desire to gratify a lesser need will increase.

⚠️

*Caution* The frustration of higher-order needs might lead workers to regress to a more concrete need category. The two major motivational premises that the ERG theory gives are: the more lower-level needs are gratified, the more higher-level need satisfaction is desired; the less higher-level needs are gratified, the more lower-level need satisfaction is desired.

13.2.3 McClelland's Acquired Needs Theory

Acquired Needs Theory describes three types of motivational needs: Achievement, Authority and Affiliation. These were first identified and described and by David McClelland in his book "The Achieving Society" [1961]. David McClelland was a pioneer in the field of workplace motivational thinking, and was a proponent of competency-based assessments in favour of IQ and personality based tests.

In the late 1940s, psychologist David I. McClelland and his coworkers began experimenting with the Thematic Apperception Test (TAT) as a way of measuring human needs. The TAT is a projective technique that asks people to view pictures and write stories about what they see. McClelland identified three themes on such TAT stories, with each corresponding to an underlying need that he believes is important for understanding individual behaviour. These needs which is depicted in Figure 13.5 include:

- *Need for achievement (nAch):* The desire to do something better or more efficiently, to solve problems, or to master complex tasks.

- *Need for affiliation (nAff):* The desire to establish and maintain friendly and warm relations with others.

- *Need for power (nPower):* The desire to control others, to influence their behaviour, or to be responsible for others.

Figure 13.5: McClelland's Acquired Needs Theory
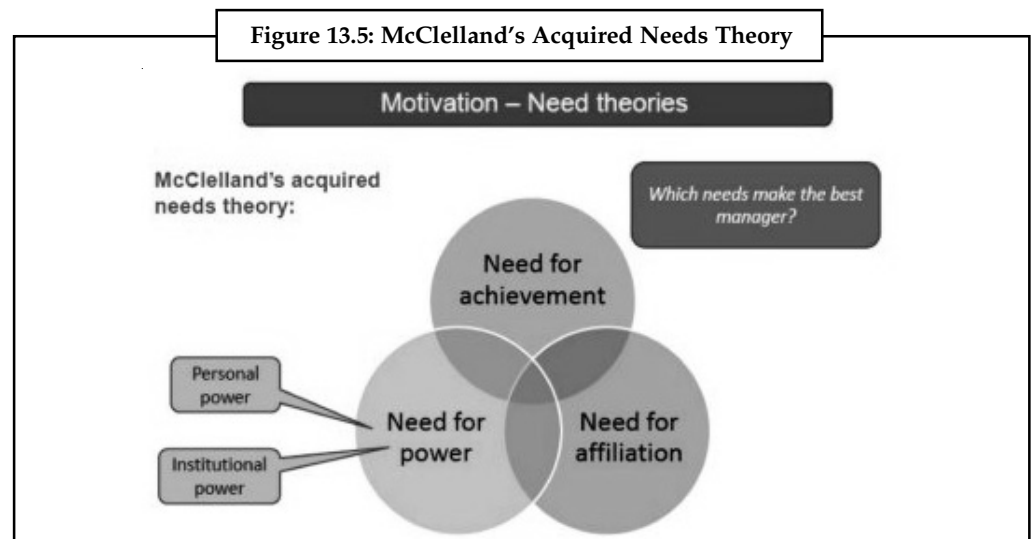
*Source:*http://www.google.com/imgres?q=Mcclelland%E2%80%99s+Acquired+Needs+Theory&um=1&hl=en&sa=X&biw=1137&bih=752&tbm=isch&tbnid=rf9yVubzgPy4pM:&imgrefurl=http://www.strategies-for-managing-change.com/acquired-needs-theory.html&docid=X5iQHh673NIM7M&imgurl=http://www.strategies-for-managing-change.com/images/AcquiredNeedsTheory.jpg&w=483&h=373&ei=xDlZUdKmNcrVrQf03oDoCw&zoom=1&ved=1t:3588,r:1,s:0,i:84&iact=rc&dur=251&page=1&tbnh=178&tbnw=231&start=0&ndsp=13&tx=106&ty=145

The Preferences for persons high in needs for achievement, affiliation, and power include:

- *High Need Achievement:* Individual responsibility but doable goals; feedback on performance (e.g., challenging quota and opportunity).

- *High Need Affiliation:* Interpersonal relationships; Opportunities to communicate (e.g., customer service, members of group unit subject to group bonus).

- *High Need Power:* Influence over other persons; attention; recognition (e.g., formal position of supervisory responsibility).

People having these needs have certain ways of dealing with their jobs. People who are high in the need for achievement tend to be mostly concerned with performing better than others perform. They usually are more innovative and prefer long-term goal involvement. People with high need for affiliation are more concerned with establishing interpersonal relationships with other people. They tend to communicate more frequently. Finally, people with a high need for power wish to make an impression or influence others. They are very concerned with personal prestige. Therefore, McClelland believes that managers can motivate workers by knowing what kind of needs they have and provide them with a job that matches that need.

The three motivators are achievement, affiliation, and power. People will have different characteristics depending on their dominant motivator. These characteristics are as follows which are shown in Table 13.1:

| Table 13.1: Characteristics of Motivators	
Dominant Motivator	**Characteristics of this Person**
Achievement	Has a strong need to set and accomplish challenging goals. Takes calculated risks to accomplish their goals. Likes to receive regular feedback on their progress and achievements. Often likes to work alone.
Affiliation	Wants to belong to the group. Wants to be liked, and will often go along with whatever the rest of the group wants to do. Favors collaboration over competition. Doesn't like high risk or uncertainty.
Power	Wants to control and influence others. Likes to win arguments. Enjoys competition and winning. Enjoys status and recognition.

A person's behaviour is not determined by needs alone. A person's values, habits, skills, and environmental opportunities are also factors. McClelland says that there is not a one-to-one correspondence between needs and behaviour.

13.2.4 Frederick Herzberg's Two-factor Theory

A major work in the field of employee motivation is done by Frederick Hertzberg (1964) that includes Two-factor Theory among other works of the author. According to the Two-factor Theory a distinction has to be made in the workplaces between motivators and hygiene factors. Herzberg's Two-factor Theory is a "content theory" of motivation. Herzberg analysed the job attitudes of 200 accountants and engineers who were asked to recall when they had felt positive or negative at work and the reasons why. From this research, Herzberg suggested a two-step approach to understanding employee motivation and satisfaction:

Figure 13.6: Herzberg's Two-factor Theory
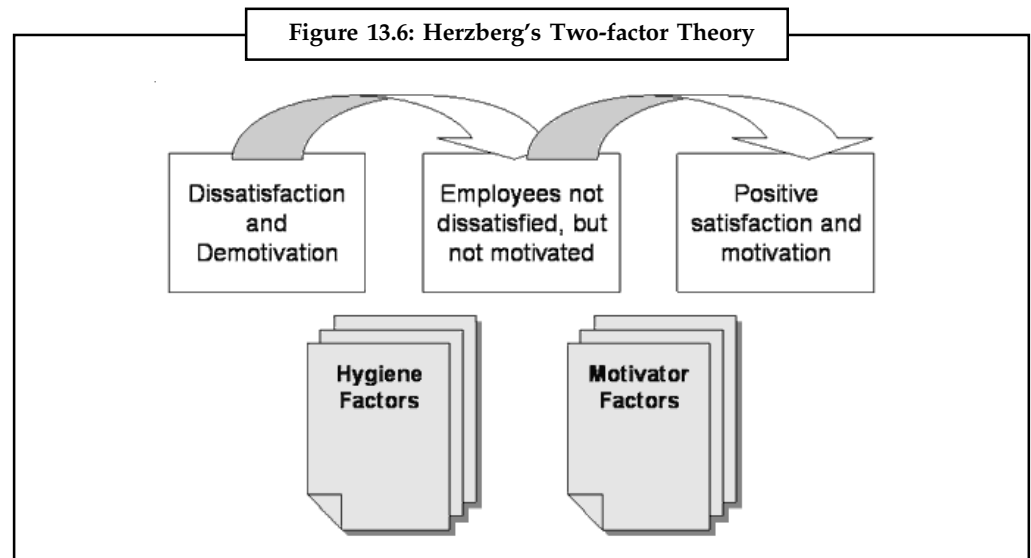
Source: http://www.tutor2u.net/business/people/motivation_theory_herzberg.asp

Motivators cause the employees to enhance the level of their performance and effectiveness in the workplace and include career growth, responsibility, achievement, etc.

1. *Hygiene Factors:* Hygiene factors are based on the need to for a business to avoid unpleasantness at work. If these factors are considered inadequate by employees, then they can cause dissatisfaction with work. Hygiene factors include:

    ❖   Company policy and administration

    ❖   Wages, salaries and other financial remuneration

    ❖   Quality of supervision

    ❖   Quality of inter-personal relations

    ❖   Working conditions

    ❖   Feelings of job security

2. *Motivator Factors:* Motivator factors are based on an individual's need for personal growth. When they exist, motivator factors actively create job satisfaction. If they are effective, then they can motivate an individual to achieve above-average performance and effort. Motivator factors include:

    ❖   Status

    ❖   Opportunity for advancement

    ❖   Gaining recognition

    ❖   Responsibility

    ❖   Challenging/stimulating work

    ❖   Sense of personal achievement and personal growth in a job

There is some similarity between Herzberg's and Maslow's models. They both suggest that needs have to be satisfied for the employee to be motivated. However, Herzberg argues that only the higher levels of the Maslow Hierarchy (e.g. self-actualisation, esteem needs) act as a motivator. The remaining needs can only cause dissatisfaction if not addressed.

13.2.5 Equity Theory

The equity theory of motivation is used to describe the relationship between the employees perception of how fairly is he being treated and how hard he is motivated to work. This theory was conducted by Elton Mayo from 1924 to 1932. This study showed that employees are not just motivated by the money, but their attitudes as well.

This theory was created on the belief that employees are demotivated in relation to their job and employer if their inputs are greater than the outputs. Employees respond their demotivation in form of reduced effort, increase dissatisfaction and may even become disruptive. The core of the equity theory is the principle of balance or equity. As per this motivation theory, an individual's motivation level is correlated to his perception of equity, fairness and justice practiced by the management. Higher is individual's perception of fairness, greater is the motivation level and vice versa. While evaluating fairness, employee compares the job input (in terms of contribution) to outcome (in terms of compensation) and also compares the same with that of another peer of equal cadre/category. D/I ratio (output-input ratio) is used to make such a comparison.

Equity Equations

Overpayment Inequity	**Underpayment Inequity**
Outcomes(self) / Inputs (self) > Outcomes (other) /Inputs (other)	Outcomes(self) / Inputs (self) < Outcomes (other) /Inputs (other)

Equity
-Outcomes(self) / Inputs (self) = Outcomes (other) /Inputs (other)

When a manager is striving to achieve employee satisfaction, motivation levels, etc. then he should consider Adam's Equity Theory. When we talk about equity theory, we use the terms input and output/outcomes. An input is the contribution made on the part of the employee. This input helps determine his/her reward or pay. Some of the inputs made by an individual towards his/her organization include:

- Ability to do his/her job
- Adaptability around the company environment
- Flexibility
- Tolerance
- Determination
- Enthusiasm to complete a task or job
- Commitment towards his/her work and organization
- Hard work
- Loyalty
- Time given to the company
- Efforts take to complete tasks as required

- Personal sacrifice

- Trusting superiors when it comes to delegation and management

- Support given and taken from colleagues

Example: Employees may exhibit satisfaction on a job that demands a great deal and for which they receive very little if, and only if, their coworkers are in similar positions.

Outputs /Outcomes are the tangible and intangible rewards or pay given to an individual based on his/her inputs. These outputs include:

- Salary received in accordance to company policy, experience and work done

- Job security

- Employee benefits

- Recognition for work done

- Responsibility entrusted upon an individual

- Praise received

- Thanks

- Increase of reputation

Did u know? **Assumptions of the Equity Theory**

1. The theory demonstrates that the individuals are concerned both with their own rewards and also with what others get in their comparison.

2. Employees expect a fair and equitable return for their contribution to their jobs.

3. Employees decide what their equitable return should be after comparing their inputs and outcomes with those of their colleagues.

4. Employees who perceive themselves as being in an inequitable scenario will attempt to reduce the inequity either by distorting inputs and/or outcomes psychologically, by directly altering inputs and/or outputs, or by quitting the organization.

13.2.6 Reinforcement Theory

Reinforcement theory of motivation was proposed by BF Skinner and his associates. It states that individual's behaviour is a function of its consequences. It is based on "law of effect", i.e., individual's behaviour with positive consequences tends to be repeated, but individual's behaviour with negative consequences tends not to be repeated.

Reinforcement theory of motivation overlooks the internal state of individual, i.e., the inner feelings and drives of individuals are ignored by Skinner. This theory focuses totally on what happens to an individual when he takes some action. Thus, according to Skinner, the external environment of the organization must be designed effectively and positively so as to motivate the employee. This theory is a strong tool for analyzing controlling mechanism for individual's behaviour. However, it does not focus on the causes of individual's behaviour.
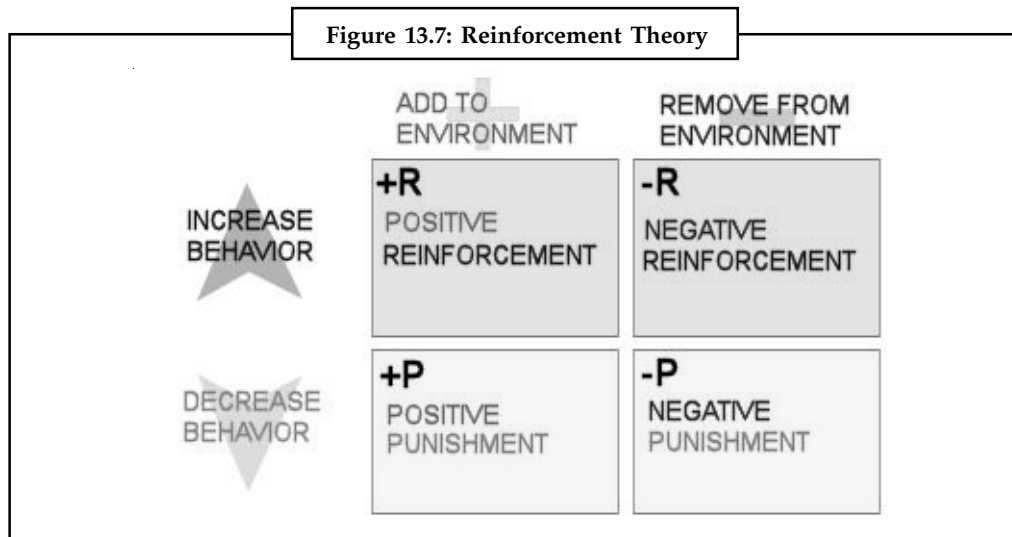
Example: A company may make public statements about the importance of quality. Yet, if they choose to reward shipments on time regardless of the amount of defects contained in the

shipments, employees are more likely to ignore quality and focus on hurrying the delivery process. Because people learn to repeat their behaviours based on the consequences following their prior activities, managers will need to systematically examine the consequences of employee behaviour and make interventions when needed.

Reinforcement theory describes four interventions to modify employee behaviour. Two of these are methods of increasing the frequency of desired behaviours, while the remaining two are methods of reducing the frequency of undesired behaviour which are shown in Figure 13.7:

Figure 13.7: Reinforcement Theory

The methods of reinforcement theory are explained below:

1. *Positive Reinforcement:* This implies giving a positive response when an individual shows positive and required behaviour. Reward is a positive reinforce, but not necessarily. If and only if the employees' behaviour improves, reward can said to be a positive reinforcer. Positive reinforcement stimulates occurrence of a behaviour. It must be noted that more spontaneous is the giving of reward, the greater reinforcement value it has.

Example: Praising an employee for treating a customer respectfully is an example of positive reinforcement. If the praise immediately follows the positive behaviour, the employee will see a link between the behaviour and positive consequences and will be motivated to repeat similar behaviours.

2. *Negative Reinforcement:* This implies rewarding an employee by removing negative/ undesirable consequences. Both positive and negative reinforcement can be used for increasing desirable/required behaviour.

Example: Nagging an employee to complete a report is an example of negative reinforcement.

3. *Punishment:* Presenting negative consequences following unwanted behaviours is another method of reducing the frequency of undesirable behaviours.

📝

Example: Suspending an employee for breaking the organizational rules, giving an employee a warning for consistently being late to work etc.

4. ***Extinction:*** It implies lowering the probability of undesired behaviour by removing reward for that kind of behaviour.

📝

Example: It has been shown that when people are rewarded for their unethical behaviours, they tend to demonstrate higher levels of unethical behaviours, when the rewards following unwanted behaviours are removed, the frequency of future negative behaviours may be reduced.

Reinforcement theory explains in detail how an individual learns behaviour. Managers who are making attempt to motivate the employees must ensure that they do not reward all employees simultaneously. They must tell the employees what they are not doing correct. They must tell the employees how they can achieve positive reinforcement.

13.2.7 Vroom's Expectancy Theory

Expectancy Theory argues that humans act according to their conscious expectations that a particular behaviour will lead to specific desirable goals. Victor H. Vroom, developed the expectancy theory in 1964, producing a systematic explanatory theory of workplace motivation. Theory asserts that the motivation to behave in a particular way is determined by an individual's expectation that behaviour will lead to a particular outcome, multiplied by the preference or valence that person has for that outcome which is shown in Figure 13.8:

Figure 13.8: Diagram of Expectancy Theory
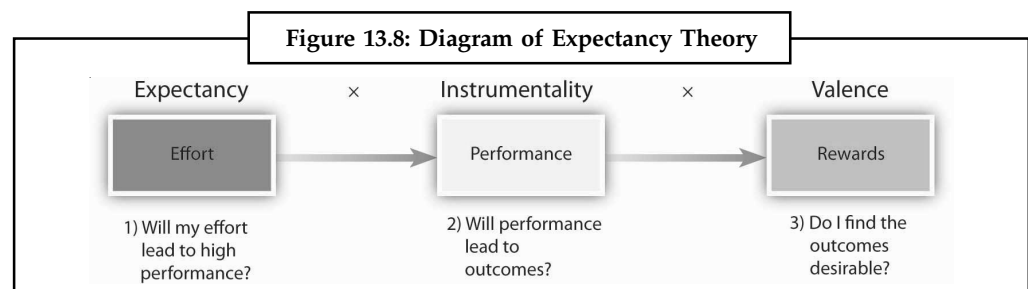
Source: http://www.google.com/imgres?q=VROOM%E2%80%99S+EXPECTANCY+THEORY &hl=en&biw=1137&bih=752&tbm=isch&tbnid=ChFx2UPfXBVlAM:&imgrefurl=http:// www.flatworldknowledge.com/node/28833&docid=E4C_fbd_JOk-aM&imgurl=http:// images.flatworldknowledge.com/bauer/bauer-fig05_009.jpg&w=1509&h=360&ei=00dZUZijO4SOrQf h9oBA&zoom=1&ved=1t:3588,r:16,s:0,i:129&iact=rc&dur=362&page=2&tbnh=73& tbnw=308&start=12&ndsp=16&tx=101&ty=19

Three components of expectancy theory are discussed below:

1. ***Expectancy $E \rightarrow P$:*** The belief of the person that her/his effort (E) will result in attainment of desired performance (P) goals.

📝

Example: Do you believe that the effort you put forth in a class is related to performing well in that class? If you do, you are more likely to put forth effort.

2. ***Instrumentality $P \rightarrow R$:*** The belief of the person that she/he will receive a reward (R) if the performance (P) expectation is met.

📝

Example: Do you believe that getting a good grade in the class is related to rewards such as getting a better job, or gaining approval from your instructor, or from your friends or parents? If you do, you are more likely to put forth effort.

3.   *Valence:* The value of the reward according to the person.

Example: Do you value getting a better job, or gaining approval from your instructor, friends, or parents? If these outcomes are desirable to you, your expectancy and instrumentality is high, and you are more likely to put forth effort.

Expectancy Theory Formula

Motivation = Expectancy × Instrumentality × Valence

Expectancy is measured from zero to one

Instrumentality is measured from –1 to 1

Valence is the sum of the positive and negative outcomes of working The combined effect of valence, instrumentality, and expectancy. In order for workers to be motivated to perform desired behaviours at a high level.

Valence: Must be high (positive)

Instrumentality: Must be high (positive)

Expectancy: Must be high. If any component is zero, what will a person's level person's motivation be?

Example: Let's assume that you are working in the concession stand of a movie theater. You have been selling an average of 100 combos of popcorn and soft drinks a day. Now your manager asks you to increase this number to 300 combos a day. Would you be motivated to try to increase your numbers? Here is what you may be thinking:

Expectancy: Can I do it? If I try harder, can I really achieve this number? Is there a link between how hard I try and whether I reach this goal or not? If you feel that you can achieve this number if you try, you have high expectancy.

Instrumentality: What is in it for me? What is going to happen if I reach 300? What are the outcomes that will follow? Are they going to give me a 2% pay raise? Am I going to be named the salesperson of the month? Am I going to receive verbal praise from my manager? If you believe that performing well is related to certain outcomes, instrumentality is high.

Valence: How do I feel about the outcomes in question? Do I feel that a 2% pay raise is desirable? Do I find being named the salesperson of the month attractive? Do I think that being praised by my manager is desirable? If your answers are yes, valence is positive. In contrast, if you find the outcomes undesirable (you definitely do not want to be named the salesperson of the month because your friends would make fun of you), valence is negative.

If your answers to all three questions are affirmative you feel that you can do it, you will get an outcome if you do it, and you value the reward you are more likely to be motivated to put forth more effort toward selling more combos.

13.2.8 McGregor's Theory X and Y

Theory X and Theory Y framework proposed by McGregor in his classic book The Human Side of Enterprise (1960) consists of two alternative set of assumptions. Theory X perceives employees to be lazy, irresponsible and untrustworthy, while according to theory Y employees are approached as one of the most valuable assets of the company as shown in Figure 13.9.

Figure 13.9: Theory X and Y

Source: http://research-methodology.net/theory-x-and-theory-y/
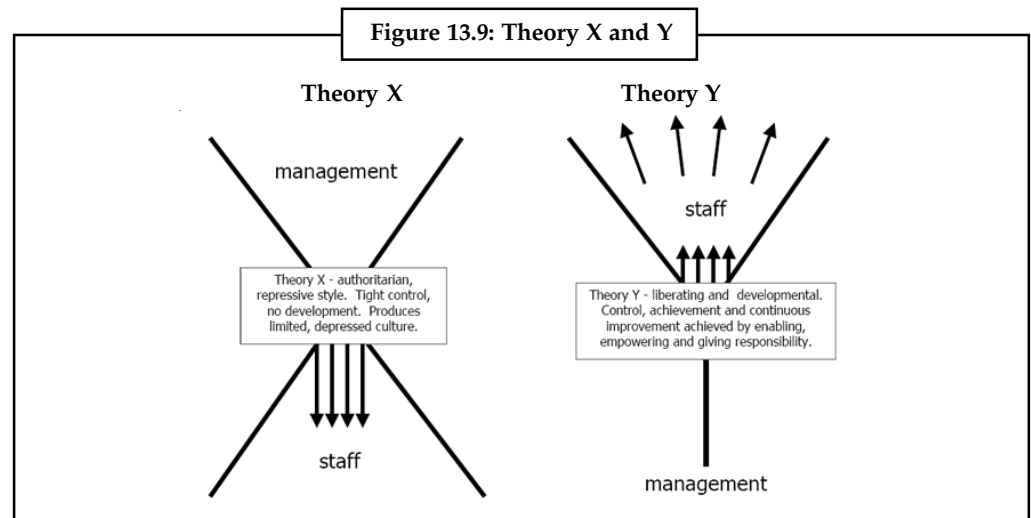
According to Theory X assumptions, employees do not like their work, they lack ambition and responsibility and employees prefer to be led rather than leading others.

Theory X assumes average human being to dislike the work and avoid it whenever possible. The following statements relate to Theory X assumptions:

- Most people must be controlled and threatened so that they can produce an adequate level of output

- Responsibility is avoided by an average human who desires security above all

- An average human being has a little ambition and has to be closely supervised at all times

Theory Y set of assumptions, on the other hand, is based upon the idea that employees are generally enthusiastic about their work, they are creative and self-directive, and also employees readily accept responsibility.

Theory Y is based on the following alternative assumptions:

- The expenditure of physical and mental effort in work is as natural as play or rest

- Methods of making people work are not limited to control and punishment, high level of commitment in organisational aims and objectives can result in self-direction

- Commitment to organisation can be achieved by designing satisfying jobs

- If proper conditions are created, an average human can not only learn how to take responsibility, but he can also learn to seek responsibility

Example: The manager who assumes that subordinates generally cannot be trusted will select a cluster of management practices which, in that manager's thinking, will best compensate for, or capitalize on those perceived characteristics of subordinates. This manager may attempt to maintain control through close supervision, demands for strict adherence to rules, and threats of punishment. Such external controls seem clearly appropriate to the manger who believes human beings are basically unreliable and irresponsible.

In practical levels, McGregor's Theory X and Theory Y framework aims to demonstrate the potential of employees that organisations should recognise so that the level of organisational efficiency can be increased. McGregor proposed that the way in which a manager interacts with

superiors, peers and especially subordinates depends on the manager's philosophy regarding cause and effect relationships in human behaviour.

Task What types of outcomes do you feel have the highest valences for young people starting their careers in organisations today? Do you think these have changed much over the past five to ten years?

Self Assessment

Fill in the blanks:

4. ………………… theory includes a unique frustration - regression component.

5. ………………… Needs Theory describes three types of motivational needs that is Achievement, Authority and Affiliation.

6. According to the ………………… Theory a distinction has to be made in the workplaces between motivators and hygiene factors.

13.3 Employee Morale and Productivity

Morale is a measure of the general emotional state of a person or group, either positive (optimistic, "morale is high") or negative (pessimistic, "morale is low"). Morale is the state of the spirits of a person or group as exhibited by confidence, cheerfulness, discipline and willingness to perform assigned tasks. The concept of morale includes several key components: enthusiasm, dedication, a common shared goal and unification. When all of these elements work in synergy, we claim a team has high morale. When they do not, or when they unify the team in a direction we do not approve of, we say a team has low morale. Employee morale is the relationship that a particular employee or a group of employees have with their work and the organization they work for. High employee morale means that employees are happy, and this is reflective in the kind of work they produce. On the other hand, low employee morale results in less productivity and pessimism among employees. It is important for every organization to continually keep employee morale high.

Maintaining good morale is important for any organization. An organization experiencing high morale also benefits from less work hours lost to unscheduled days off, and higher productivity from employees satisfied with their company. Low morale can cause additional expenses, such as employee turnover and a drop in production. It is important to understand the factors that affect morale in an organization. Morale is a way of describing how people feel about their jobs, employers and companies, and those feelings are tied to the behaviours and attitudes that employees exhibit in the workplace. When employees have good morale, they feel committed to their employers, loyal to their jobs and motivated to be productive. They work harder, produce more, meet deadlines and give it their all. It's easier to describe it as a "state of mind, a mood, a mental condition" when these things are all positive and upbeat. It's the idea that work is not really work, it's enjoyable, a source of pride. But, this is a perhaps too mentalistic of a definition. A more theoretical definition would be "positive affective orientation towards membership", which is the equivalent of the sociological concept of "group cohesion". In this sense, morale is the behaviour of employees wanting to belong to the organization and who are being happy with their organization. But, there are many other reasons for this kind of behaving in this behavioural definition.

Employee morale is part of workplace culture and it is important in the company. When workers are happy, they tend to be more efficient because they enjoy their work. It is important that employees don't feel overworked and burdened by their job. Employee morale gauges organizational culture and how employers' treatment of their employees impact how the employee thinks about the organization as a whole. One of the best ways to boost employee morale is to reward hard work. An employee may sometimes feel burdened by the amount of work that needs to get done and could start thinking about the value of the work versus the amount of pay he receives. By recognizing the hard work of an individual, employees are more likely to want to show their skills and contribute more because they know they are appreciated. Recognition, not just monetary compensation, is an incentive that will keep an employee setting higher standards and doing more in his job.

It's easier to define morale by what it is NOT. It's not the same as effort, efficiency, or productivity. In fact, there is often a dialectic between morale and productivity. The two are not necessarily causally related, although commonsense would seem to indicate that as one goes up, the other goes up. For example, we often hear that low morale in a police agency is causing a low level of productivity, but that is simply not true. What is true is that there are basic organizational problems creating both low productivity and low morale. Two basic problems that have this effect are: (1) employee lack of certainty about their jobs; and (2) failure of employees to buy into the mission statement and goals; but there are many possible problem factors other than these two.

Notes Motivation is just the willingness of employees to work, and you've bought that from them. You can't increase morale by training your supervisors to be better motivators, not matter what the consultants tell you. Parsons (1951), the great functionalist thinker, was one of the first to point out that morale is a collective, systemic phenomenon. It must arise sui generis (seemingly out of nothing). You can't motivate morale, and you probably shouldn't measure it by employee turnover, although this is a common trap.

It's NOT the same as job satisfaction, but morale is the collective counterpart of job satisfaction. Individual needs and preferences determine job satisfaction. You can't simply add up or aggregate all the individual job satisfaction scores of each employee and call that average figure "morale". You need to eliminate or control for individual differences. Yet, as we shall see, morale is often inferred from job satisfaction surveys, but you need to make the important distinction between individual and organizational morale. The results of your survey may lead you to believe that organizational morale is high, when in fact, it's only individual morale that's high.

13.3.1 Importance of Employee Morale

Company and employee morale is an issue that many organizations tend to forget about between endless paperwork and meetings. Employee morale may seem like just another item that is low on the long list of priorities that a manager has to deal with daily. However, ignoring the morale of staff members can be a big mistake for an organization. Keeping morale high can be easy and can have a large payoff for the company.

Positive employees have better focus, more dedication and are more loyal to the company. When an employee is happy with their job they will be more likely to put in extra effort to contribute to their work. When an employee is fully concentrating on their work, great things can happen for the company. Satisfied employees will be more likely to create new ideas and generate revenue for the business. When employees are happy, then they actually enjoy coming

to work. This means they are not going to slack off costing you time and money. They will be cheerful and heck, maybe even surpass their work quota for that month! Having high morale is a win-win for everyone.

Often a business may not think of the repercussions of an employee leaving a company on bad terms. When an employee has negative feelings about a company, whether they leave their job or not, they can cause problems. An unhappy employee can speak of the issues they are having with people outside of the business. This can affect the reputation of the business in the public and with current clients. In addition, this can negatively affect how well the company can recruit qualified new employees.

With all of the potential problems that poor employee morale can cause it should be a priority to maintain a good work atmosphere for staff members. The process of cultivating high employee morale is simple. There are a few key factors that should be taken into consideration to keep employees satisfied. One of the most basic yet most important things that can be provided to employees is communication. Lack of communication from management can cause bad feelings and resentment. Managers must be sure to properly notify employees in the event of a staff change or a change of duties. This is a consideration that will let employees know that their feelings are being respected.

A hidden effect of low employee morale often revolves around the issue of pride in work. While employee morale may be low with productivity goals still being met, the unseen effect is that these goals are just nearly being met. Workers tend to do just the bare minimum to get by when they feel that they are not appreciated or have no definite future at the company. This also leads to increased levels of accidents, sick leave, and litigation by disenfranchised workers who have left the firm and feel they were unfairly treated there.

The opposite of low employee morale is high morale, which can lead to better-than-expected positive contributions to an organization. It can lead to increased levels of innovation and creativity, and employees who are willing to go out of their way to help coworkers or management understand and cope with unforeseen problems, which results in decreased inefficiency. Happy employees tend to want to stay with their company indefinitely, and personally identify with its success as their own.

Notes People skills in a company workforce, such as in sales and customer service departments, are also keenly tied into employee morale. If morale is low or high, it directly affects sales and customer retention. It can also result in delayed promotions for the staff in these departments. Low morale will hide the natural people skills that these employees have, and cause some to be overlooked for promotions that they may rightly deserve.

The causes of low employee morale can be many, with some being external to the company and beyond its control, such as economic conditions or strict regulations. Often the internal causes of decreasing employee morale, however, can be relatively easily remedied. They can involve such issues as management micromanaging the responsibilities of employees out of fear and distrust, or discrimination on the job that violates labour laws. Unnecessarily harsh working conditions and pay that is not sustainable for an employee long term, can also result in high turnover of staff. When such conditions are satisfied and the workforce has a clear sense that the employer has everyone's best interests at heart, morale can be high, even in the absence of ideal working conditions.

13.3.2 How Employee Morale affects a Company?

Happy employees make good employees. As cliche as that sounds, companies benefit when their employees enjoy their workplace. The success of a company depends upon the collective morale of its employees. When employee morale is high, the company may experience improved customer service, increased productivity, and enhanced financial returns. These business segments will suffer when employee morale is low.

High employee morale translates into increased productivity and performance. An employee that enjoys his or her work environment will help maintain the status quo. Without even realizing it, the quality of their contributions to the company improves. They also tend to get along well with co-workers and volunteer their assistance whenever needed. Production processes may realize increased efficiency in the completion of tasks. Paperwork is completed fully and in its proper place. Overall, the company's bottom line feels the positive affects of their dedicated workers and high employee morale.

Conversely, low employee morale has a negative, almost destructive, affect on a company as a whole. Employees lack confidence in their positions and their organization. This results in a half-hearted effort in their work performance. Low morale also causes tension between co-workers to develop. Tasks are not completed in a timely fashion and errors persist throughout. Ultimately, the company will see its expenses rise and will not realize its full potential in net income.

Due to its impact on a company's net income, maintaining high employee morale remains of paramount importance to management. They help to maintain high employee morale through various means. They keep employees involved in some of the managerial decisions that affect their work and give them some autonomy over their workload. Management also communicates with employees so that employees can be prepared for upcoming changes within the company.

Rewarding employees almost always boosts a company's employee morale. Pay raises have historically been the reward of choice for outstanding performance by employees. While it does boost morale, its affect can be very fleeting. Management needs to think beyond mere financial means of motivation to keep morale high. Training and educational opportunities, flex time, and shorter work weeks are just a few examples of other ways to positively affect employee morale.

Happy employees are productive, efficient, and helpful employees. This makes high employee morale any company's greatest asset and maintaining it a top priority for management. Company's across the globe realized this fact and created opportunities in efforts to encourage the best from their employees. This may be the easiest task for management to accomplish in comparison to other aspects of a company. If they can keep morale high, then the company will reap the benefits.

Factors affecting morale are as follows:

1. *The Organization:* The goals of the organization influence the attitudes of employees greatly if the goals set by the management are worthwhile, useful and acceptable, then workers develop positive feelings towards the job and the organization. Likewise a clear structure with well-defined duties and responsibilities encourages people to work with confidence. The reputation of the company is another important factor worth mentioning here. Persons working in reputed organizations experience feelings of pride and a spirit of loyalty.

2. *Leadership:* The actions of managers exert a strong influence over the morale of the workforce Fair treatment; equitable rewards and recognition for good work affect morale greatly. Workers feel comfortable when they work under a sympathetic caring leader in

place of one who is authoritarian, dictatorial and dominating. Negativism, inconsiderateness and apathy are not conducive to development of a good work climate

3. *Co-worker:* Poor attitude of co-workers influence others. Imagine working with a person who talks about the negative points of an organization all day long. Such a person can make each workday an unpleasant experience for others. He can cause co-workers to think negatively and even if they don't such an attitude is certainly not a morale booster.

4. *Nature of work:* Dull, monotonous repetitive work affects employees' morale adversely. On the other hand if an employee is asked to do something interesting and challenging his morale may be high. Work environment: Morale is a direct function of the conditions in the workplace. Clean, safe, comfortable and pleasant work conditions are morale boosters.

5. *Employees:* How the employees look at him (the self-concept) also influences morale greatly? For example, individuals who lack self-confidence or who suffer from poor physical or mental health frequently develop morale problems. Further, how the employees' personal needs are satisfied can significantly influence their morale. Salary fringe benefits, DA rates, allowances may affect employees morale in a positive or negative manner, when they compare themselves with others doing similar jobs. Employees can become disgruntled when they feel that their pay and benefits are not in line with current industry rates or are not in keeping with rising prices.

6. *Morale and productivity:* Generally, it is believed that high morale will lead to high productivity. A manager can push for high productivity by using scientific management, time studies and close supervision. High production and low morale may result but it is doubtful whether this combination can last. The opposite can also occur – there can be low production with high morale. In this case, the manager works so hard to please his subordinates that they are too happy to work hard for themselves.

13.3.3 Ways to Measure Employee Morale

A company depends upon its employees for everything from production of goods to the accounting of finances. When employees are happy, they perform these jobs more efficiently, which increases the success of your business as well as your profits. However, poor employee morale can have the opposite effect on your business, dropping productivity and increasing turnover rates. When running a business, you should consistently monitor your employee's morale, both for employee health, as well as the health of the company. Some of the ways to measure the morale of employees are as follows:

1. *Surveys:* An easy way to monitor your employee's morale is through an employee satisfaction survey. These surveys should be anonymous, and should ask very specific questions such as "Are you content and fulfilled in your position?" Do you feel there is room to grow in your job? "How likely are you to stay with the company?" The survey should also provide a space for the employee to provide suggestions, or to provide you with information that may not have been specifically asked in the survey.

2. *Periodic Interviews:* Performing periodic performance interviews with your employees can also help you gauge the overall employee satisfaction. These interviews provide you with a chance to tell your employee the things he is doing well and the things he needs to work on, as well as give the employee the chance to have input on ways to improve the company to increase employee satisfaction and productivity.

3. *Productivity:* Measuring the overall productivity of your workforce on a monthly basis, and over an extended period of time, gives you a wide range of months to compare how well your employees are performing. Employees who are satisfied at work often perform

better, increasing your company's overall productivity. If you begin to see a noticeable drop in your production numbers, this may be a sign that employee morale is low and you need to examine ways to increase overall satisfaction in the workplace.

4. *Turnover Rate:* Your employee turnover rate is another good gauge for how satisfied your employees are in the workplace. A relatively low turnover rate can signify that your employees are happy and that you are doing the right things to keep morale high. However, a high turnover rate can be a sign that employee satisfaction is low, forcing many to move on to better paying jobs, or jobs in a better work environment.

5. *Absence Rate:* How often your employees are absent from work can also be a sign of poor employee morale? When employees enjoy their job, absence rates go down. However, if an employee does not enjoy her job, she may be more apt to take extra time off or to call into work sick more often, even if she is not sick. Absent workers reduce your productivity, which can cost your business money.

Task Identify some situations where you were highly motivated to perform because you expected to perform well and some situations where you did not pursue a goal because of feeling that there was no chance of success.

Self Assessment

State whether the following statements are true or false:

7. Low employee morale means that employees are happy, and this is reflective in the kind of work they produce.

8. Employee morale is part of workplace culture and it is important in the company.

9. Morale is not the collective counterpart of job satisfaction.

13.4 Causes of Low Employee Morale – And How To Avoid Them

A majority of the issues related to worker productivity stem from enthusiasm or the lack thereof. Individuals simply go to work despite their abhorrence of their employer, the monotony and the products. There is no passion or pride.

1. *Organizational Culture Affects Employee Morale and Productivity:* Much of this issue stems from practices embedded within an organizational culture affecting employee morale and productivity. These include:

    ❖ *Leadership not serving as exemplars:* Some leaders today are narcissists, demeaning and ruthless. More importantly, leaders' salaries can exceed employee pay by 425 times the average worker! Leaders need to act in harmony with employees and ensure equal treatment of all, like the organisational cultures of companies such as McDonalds, FedEx and UPS.

    ❖ *Little or no accountability:* The U.S. economic system is currently in financial turmoil and no one is being held accountable. Employees need to know that mistakes may count for learning, but criminals are punished for repeat offenses.

    ❖ *Career planning and succession planning is null:* Simply put, there is no succession planning. Most CEOs and senior managers join an organization from competitive industries and companies. Whatever happened to the mailroom climb?

❖ *Too many silos and departmental infighting*—Companies are in business for one reason: to create clients. End the infighting and focus on the most vital asset! When the fighting ends (and everybody understands their reason for being employed) perhaps harmony will arrive.

2. *Management Influences Organizational Culture:* Causes of low morale correlate in the organization, its culture and its management. After 25 years of research in this area, we find five factors contributing to organizational morale. A study by the Corporate Leadership Council reveals the tremendous impact managers have on an employee's level of commitment. It is imperative to note that individuals do not leave companies—they leave poor managers. Organizational mismanagement contributes to negative employee morale. As recently as 2006, the Gallup Organization estimated there were 32 million actively disengaged employees costing the American economy up to $350 billion per year in lost productivity. Such loss includes absenteeism, tardiness and poor work. To dilute the productivity impact, research shows that taking time to build relationships with employees through personal interaction is a key step management can take to keep employee morale high. Employees need to feel trust and respect from their management. Employees desire feedback from management to understand that their work matters.

3. *Management Solutions For Low Employee Morale Issues:* Ending the employee morale issue is not easy, but here are some suggestions:

   ❖ *Begin with talent acquisition*, and start with the right people. No firm we work with ever hires on a proactive basis—most firms conduct employment searches reactively. Seek employees that fit with the organizational culture and with the obligatory skills. Never wait!

   ❖ *Hire for skill:* Talent is innate. Organizations hire for personality and behaviour first and skill second. Skill is not interchangeable, behaviour is. A great hire might have a wonderful temperament but lack the skill to plug a socket into an outlet.

   ❖ *Look at best practices from best people:* Management focuses on "fixing those that cannot" rather than "improving those that can." Icons of performance exist in your organization. Discover what they do right and encourage others to emulate it.

   ❖ *Hire for passion:* In the 1980s, Sylvester Stallone appeared again as Rocky, this time with a theme, "Eye of the Tiger." What a great metaphor for valuable talent! Seek to acquire talent that truly loves work. Passion too is innate. Employees must love what they do and how they do it. When passion is high, so too is morale.

   ❖ *Focus on the customer:* Management, the organization and the employees must vehemently focus on the customer. Southwest Airlines and FedEx both intensely focus on servicing the client.

   Management must constantly strive to provide feedback to employees. Feedback is not an annual performance review event. It is imperative that daily communication exists for good information and improvement. Coaching, counseling and mentoring are components of organizational morale. Many people attend church and hear the words, *"It is right to give thanks and praise."* Many watch professional sports and witness coaches cheering on their athletes. We can learn something here: Simple words of thanks and praise can improve employee morale and relationships.

4. *Leveraging Productivity through Management and Employee Training:* The first item terminated during economic volatility is often training. Research finds that employees are assets and require that treatment. Never stop training; this improves productivity and employee morale at all times. Issues of low employee morale and productivity are

onerous, volatile and difficult to control. There is a need for management, the organization and the individual to assist with success factors. Much is dependent on the desire to change; methods chosen and consistent follow through. However, if you do nothing you still have an employee morale issue. Take the time, seek remedies and keep morale high. Doing so lowers attrition, improves productivity, increases profitability and most importantly—reduces stress.

Self Assessment

Fill in the blanks:

10. Organizational mismanagement contributes to .... employee morale.

11. Employees need to feel trust and respect from their ....

12. .... is not an annual performance review event but is imperative that daily communication exists for good information and improvement.

13.5 Tips to Boost Employee Morale

Employees form the backbone of any business, and employee morale is a critical factor to a company's growth and success. Happy employees work harder, are more creative and care more about the company's overall success. Here are tips you can follow to boost morale at your small business.

1. *Understand Employee Needs, and Invest in Them:* Naturally, innovative small businesses have some of the brightest and most creative people. These employees will help grow your business, but you need to invest in them. It's important to understand and cater to their needs. Train your people, and provide them with the tools they need to succeed and to move up in the company.

   At some point, every small business owner hopes to experience a period of rapid growth. It's important to be proactive and continuously train employees so that during growth periods, these employees are ready to be promoted, to take on more responsibility and to play a bigger role in the company.

   Working with a consultant to create this structure can help. A consultant can help build a program to prepare associates for a manager role and develop training programs that address a variety of management scenarios. This helps employees understand what it's like to be a manager of your small business.

   This initiative lays a foundation that gives the company continuity and competency across management practices. Your employees are worth the investment, and it's important to do whatever you can to create a successful team.

2. *Empower Your Employees:* Empower your employees to make decisions. You set objectives, boundaries and expected outcomes, and then let them determine their goals, which features they should work on, what their priorities are, and the manner in which they will achieve them. That's their realm of expertise so give them the control. Empowered associates tend to perform better at their jobs.

   Here are a few practices to empower employees:

   ❖ Define the framework, communicate (clearly) and then let the associates take the reins

   ❖ Hire smart people and hold them accountable

❖ Encourage employees to have their own voice – allow all team members the opportunity to propose the next big thing

3. *Create a Culture of Teamwork:* Every small business is a team, so work together to create a culture of teamwork to achieve your goals. Keep in mind that your small business is working together to be a part of something that impacts other people, businesses and families on a daily basis and in a meaningful way.

Every small business needs employees who genuinely care and believe in what they're doing. Their work matters! Work to keep the environment upbeat and enthusiastic. It's motivating for everyone to work together and to achieve together, while at the same time having fun and being proud of the differences they make.

Understand that your small business may not always get things right in the first place, but with a solid track record and working together as a team, you can always be confident that you'll figure it out. By creating a culture of teamwork, you'll help everyone develop a confidence and a belief in what you do.

Though every company has its own set of unique characteristics, employee morale goes hand in hand with the success of any company. Putting these tips into action will help employees stay positive and enthusiastic about what they do on a daily basis and help you stay on a continuous path of growth.

4. *Grant time off to employees to pursue projects they are passionate about:* Personal projects can provide an energizing break from regular responsibilities and can serve as a source of innovation for a company. Atlassian, a developer of collaboration software based in Sydney, encourages creativity during its "FedEx Day." During this event, all 62 employees can work on anything that excites them — as long as it is somewhat related to Atlassian products or processes, can be completed in the allotted time, and is fun. Employees have from 2 p.m. on a Thursday until 4 p.m. Friday, giving them roughly 24 hours to deliver a project (thus the name, FedEx Day). Then at a presentation, participants show off the results of their projects. From these ideas, Atlassian has adopted more than a dozen projects, ranging from product upgrades to process improvements.

5. *Train employees to develop positive attitudes:* During the height of the recession in 2009, employee morale became a big issue for 4Imprint, a maker of customized promotional products, based in Oshkosh, Wis. The company's training team decided to try to boost morale by setting up classes for the 419 employees to watch and discuss videos with inspiring themes like Lance Armstrong's comeback from cancer and the friendly culture at Southwest Airlines.

6. *Mix up the company's usual way of doing things:* Departing from the customary routine of meetings and cubicle life can go a long way toward building morale. The accounting firm Ehrhardt Keefe Steiner & Hottman, based in Denver, uses the concept of neighborhoods to shake things up. All 387 employees are organized into neighborhoods, based on the floors or sections of floors in each office. These groups have regular get-togethers and shape the contours of meetings. For example, during an all-employee meeting day, as the firm staged a neighborhood basketball tournament, each group came up with team names, homemade jerseys, mascots, and cheerleaders.

7. *Take time to creatively celebrate accomplishments:* It's natural to focus on what's ahead rather than reflect on how much has been achieved. Taking time to reflect, though, helps employees appreciate how much they have done. All departments at Acuity, a financial-services company based in Sheboygan, Wis., are asked each year to recognize their own work by providing a list of significant accomplishments of their team. The lists are reviewed by Acuity officers, who select the 100 most outstanding achievements for inclusion in a

"Top 100 Accomplishments" list. The latest list was designed as a book, Acuity World Records, with the help of Guinness World Records, and given to all 831 employees.

8. *Open Communication:* Managers and bosses should be open in the communication with their employees. By open, it do not mean openly yelling or screaming. What it mean is that there should be two-way communication and both the parties should be able to put their views across comfortably without any inhibitions.

9. *Appreciation:* Bosses should appreciate and recognize any outstanding piece of work on the part of the employee. Good performances and above-average results should be acknowledged and appreciated. Appreciation can be done in many ways, it does not always have to be through a salary hike or a bonus. Simple things like an honest one-to-one conversation or a pat on the shoulder for a job well done can often be the deciding factor between high and low morale at work.

10. *Team Building Activities:* Team building is an important way of keeping the employee morale high. It encourages teamwork and spurs people to work together towards a common goal. Good teamwork almost always translates into good results. Investing some time in a few creative team building activities by means of trips, outdoor recreation, group activities, etc., will only help to boost employee morale.

11. *Stand Firm by Your Employee:* Employees need to be backed up by their manager or a senior authority in difficult situations. As an employer it is your duty to stand by your employees in case of a conflict with a customer or any other similar problem. The employee will be thankful for your strong support in managing the situation and understanding his/her point.

12. *Work Life Balance:* Managers should be sensitive enough to understand that every employee has an individual life outside the office premises. Steps should be taken to ensure that employees are able to achieve a good balance between their professional and personal lives. There are some female employees who have kids and need to drop and pick them from the day care or school. Introducing flexible working hours can be helpful in such a situation and a good way in getting rid of any negativity, rising due to inconvenience and frustration, in the office.

13. *Getting a Little Personal will Help:* Although most people do not like others being concerned about their personal lives, sometimes a boss inquiring about his/her employee's well-being will make the employees feel valued and respected and appreciate your caring attitude. Getting personal also implies knowing more about them; their hobbies, areas of interests and any extra curricular activities that they perform apart from office work. If any of your employees is into a performing art offer him/her a platform in annual gathering or at an informal meet, to showcase their hidden talent.

15. *Invite Feedback:* Encourage employees to provide feedback and come up with suggestions through periodic employee surveys. Let them be open and speak their mind without any sort of fear or suppression. Such a gesture will make them feel valued, wanted, and it will go a long way towards improving employee motivation and morale. If the employees do not open up, set up an anonymous suggestion box wherein employees can put forth their ideas and opinions regarding the betterment of the company. As an employer, don't be afraid of any criticism coming from your employees rather, take it positively and work accordingly.

16. *Monetary Rewards and Gifts:* No matter how long you ramble on about job satisfaction, professional challenges and career growth, at the end of the day, it's all about the money. Monetary rewards, regular salary hikes, performance bonuses, perks for family members, etc., can contribute significantly towards maintaining a positive morale in the workplace.

Self Assessment

State whether the following statements are true or false:

13. Every small business is not a team.

14. Departing from the customary routine of meetings and cubicle life can go a long way toward building morale.

15. Good teamwork almost always translates into good results.

Case Study   **Kelloggs Motivation of Staff**

The Kellogg Company is the world's leading producer of breakfast cereals. Its products are manufactured in 18 countries and sold in more than 180 countries. For more than 100 years, Kellogg's has been a leader in health and nutrition. It has done this by providing consumers with a wide variety of food products. Within Kellogg's, there is a variety of functions and work roles. These include engineering operatives in the manufacturing section. Others work in finance, marketing, sales, information technology or human resources. Keeping everybody motivated no matter what their role is not easy. Kellogg's values and culture support its role as a good employer. Encouraging everyone to live by the K-Values throughout the whole business creates a culture of people that have ownership over their own projects and strive for continuous improvement and industry-leading results.

These values influence the behaviour of individuals within the workplace, making Kellogg's a positive place to work. Employees are encouraged to speak positively about each other when apart, focusing on their strengths. This involves listening to others and accepting their right to their own views regarding the workplace. The benefits of Kellogg's investing in people can best be illustrated by looking at the work of some of the theorists who have worked on motivation. The remainder of the case study shows how Kellogg's commitment to creating a 'great place to work' is supported by these theories. Frederick Taylor was associated with what has become known as 'scientific management'. Taylor believed that monetary reward was an important motivating factor. Pay could simply be used to increase rates of output. Taylor's view of motivation applies to people who tend to work within narrow job confines such as on a production line. These are people who can be paid according to the amount of work that they do or units they produce. This is known as 'piece work'.

For many people pay is still a prime motivator. For example, within Kellogg's many employees are motivated by cash alternatives which include the opportunity to buy and sell their holiday days. Taylor's theory breaks down jobs into components or specialist tasks through the division of labour. This especially applies to production processes within large companies like Kellogg's. These rewards can help to increase productivity and profitability. The danger with this is that individuals are simply focused on output to get rewards so quality might suffer as a result of employees rushing to do the job. Scientific management is not a process that allows development of people. It limits their ability to take ownership of what they do. Kellogg's staff are encouraged to be creative and use their imagination to contribute towards change. Consequently, Taylor's view of monetary reward for output is not appropriate for the motivation required for this type of workplace.

Contd...

Maslow

Maslow's theory relates motivation to a hierarchy of needs. At the bottom are essential physiological needs such as air, food, shelter and clothing. As individuals satisfy one level of need, their motivations change as they aspire to reach the higher order needs. Therefore, to motivate an individual Maslow suggests that it is necessary to know where within the hierarchy each employee is placed so that these factors can be taken into account.

Within Kellogg's every employee is motivated to work through each of these levels. As they do so, this provides positive effects for each employee and the organisation. For example:

1. *Physiological needs:* Kellogg's offers competitive salaries. This gives people the means to acquire the basic needs for living. The Kellogg's Cornflex flexible benefits programme allows employees to choose those benefits that suit them. This includes childcare vouchers, cash alternatives to company cars and discounted life assurance schemes. These savings and competitive salaries help workers' pay go further and so motivate them to be loyal to the company.

2. *Safety needs:* Kellogg's values the safety of all employees. The company is committed to providing a safe and healthy work environment to prevent accidents. Employees are however accountable – that means they have to take responsibility for observing the health and safety rules and practices. Kellogg's also offers employees a range of working patterns. Some may want to work part-time, others may want career breaks or undertake home-working. This helps employees to choose the best option for a healthy work-life balance.

3. *Social needs:* These are associated with a feeling of belonging. Kellogg's operates weekly group 'huddles'. These provide informal opportunities for employees to receive and request information on any part of the business, including sales data and company products. This helps strengthen teams and enhances workers' sense of belonging. Having an open approach to communication keeps everybody focused on the company's aims helps individuals contribute to the company's K-Values. They include values such as being positive, seeing the best in people and recognising diversity. Kellogg's positively recognises and rewards staff achievements.

4. *Self-actualisation:* Kellogg's provides employees with the opportunity to take on challenging and stimulating responsibilities. For example, the business provides the opportunity for individuals to take ownership of projects. This enables them to develop and improve.

Laura Bryant joined Kellogg's straight after university in 2002. She joined the Field Sales team initially. This involved visiting five to ten supermarkets a day to develop relationships at a local level. After two years her hard work was rewarded and she was promoted to Customer Marketing Manager at Head Office. This helped to raise her profile as she wanted to move into marketing. With support from her manager, Laura made the transition from Sales to Marketing as Assistant Brand Manager on Rice Krispies and Frosties. In 2009 she was promoted again to manage the marketing plan for Special K and she is now Brand Manager for Kellogg's Cornflakes. The company has helped motivate her to climb the hierarchy of needs and achieve her career ambitions.

Mayo

Elton Mayo was the founder of the Human Relations Movement. His experiments were conducted at the Hawthorne plant in the USA during the 1930s. His work showed that

Contd...

taking an interest in and caring for employees can have a positive effect on employee motivation and productivity.

He showed that employees were best motivated if they worked in teams. They were also motivated if managers communicated and consulted with them more and took a greater interest in their views and well-being.

Communication

Kellogg's keeps a two-way dialogue with employees through its communication programmes. This helps to empower the workforce. For example, its open-plan lobby area with coffee bar accommodates as many as 200 people. It provides an informal venue for briefings and presentations. The WK Kellogg Values Awards programme provides special recognition for what employees do and rewards them for how they perform.

'Here at Kellogg's listening is a central premise of the way we work. We believe that our employees have some of the best ideas and that a successful company is one that listens to the grass roots feedback and acts on it. Any employee can raise an issue or a suggestion via their rep who will raise it at one of their monthly meetings.' (Sue Platt, HR Director)

Generating Ideas

The Kellogg's suggestion box scheme helps to generate ideas and improve productivity. Kellogg's has an initiative called 'Snap, Crackle and Save' – an employee suggestion scheme to save costs within the supply chain. Hundreds of ideas have been put forward over the last couple of years. One idea suggested that the same thickness of cardboard could be used for packaging in all manufacturing plants in Europe. This saved around £250,000 per year.

Kellogg's also shows its commitment to making its business a great place to work. It provides personal development planning for employees which includes provisions such as secondments and study leave as part of staff development. This reinforces staff commitment and their sense of being treated well.

Herzberg

Herzberg felt that satisfied employees would be productive employees. Herzberg's theory is sometimes called the two-factor theory. These factors are hygiene factors and motivators.

Hygiene factors are often referred to as 'dissatisfiers'. These are elements in the workplace that could make employees unhappy, such as excessive company bureaucracy or an autocratic working environment.

Herzberg motivators (sometimes called 'satisfiers') are aspects of any workplace that give individuals job satisfaction. These include, for example, the level of responsibility of the job, promotion or recognition for effort and performance. Herzberg believed that businesses needed to ensure hygiene factors were minimised in order to enable motivators to have their full effect.

Motivating Factors

Kellogg's has developed a number of motivating factors. These are designed to ensure that Kellogg's is perceived as a good place to work and a desirable employer of choice. For example, Kellogg's has a 'Fit for Life' programme offering employees access to fitness centres, free health checks and annual fitness assessments by healthcare specialists every spring.

It also provides a 'summer hours' programme from May to September so if employees have worked a full week's hours by noon on a Friday, they can finish work at that point. This means employees can adjust their working hours to balance their work against family or lifestyle commitments.

Awareness of motivating factors helps Kellogg's to build a business that delivers consistently strong results. Other initiatives within the organisation include:

1. flexitime, home working, part-time working and job sharing

2. career breaks, parental leave, time off for dependents and maternity and paternity leave

3. on-site gyms or subsidised access to local facilities.

Claire Duckworth works in the Consumer Insight team at Kellogg's. She takes part in Latin American ballroom dancing competitively with her partner. They are ranked 7th in England in the over-35 category. Flexible working at Kellogg's enables her to travel to events and provides her with the opportunity to pursue her hobby at a serious level. This opportunity to adjust her working life to accommodate her personal ambitions makes Claire feel respected and supported.

Motivators within the Kellogg's company reflect the different personal aspirations of staff. The working environment provides the opportunity to move forward and take on responsibilities. There is clear recognition and reward for performance.

For example, the Kellogg's sales team meets every Friday morning to share success stories of the week. Once a month it recognises individuals that have worked above and beyond the K-Values. Winners receive a range of awards ranging from cash prizes, vouchers or holiday entitlements.

Questions:

1. Critically analyse the above case.

2. How Kellogg's motivates its people?

Source: http://www.qbd-sa.com/case-study-kellogs-motivation-of-staff/

13.6 Summary

● Motivation may be regarded as a set of those wishes, desires, needs and drives which stimulate (or activate) an individual to act.

● Motivation is a psychological force which activates and compels the individual to behave in a particular manner.

● Motivation may also be defined as the process which inspires individuals to contribute to the best of their capability for the achievement of organizational goals.

● It is an effective instrument in the hands of the management to maximize efficiency of operations.

● Higher motivation leads to job satisfaction of workers and makes them committed to the organization.

● Motivation is an effective and dynamic instrument in the hands of a manager for inspiring the workforce and creating confidence in them.

- Through the motivation of the workforce, management creates 'will to work' which is necessary for the achievement of organisational goals and objectives.

- Motivation is the process of getting the members or the group to pull weight effectively, to give their loyalty to the group and to carry out properly the purpose of the organisation.

- Employee morale is important in any work environment for several fundamental reasons. It has a direct effect on the productivity level of an organization.

- If the morale of one individual or the employee morale of the entire workforce is low, it has the tendency to spread and result in a spiraling down effect that can affect the company in many ways.

- Morale also has a direct impact on how long workers plan to stay with their current firm, which can lead to a lost investment in training resources if they move on to other positions more quickly than expected.

13.7 Keywords

Affiliation Motivation: It is a drive to relate to people on a social basis.

Competence Motivation: It is the drive to be good at something, allowing the individual to perform high quality work.

Equity: It represents a belief that there are some things which people should have, that there are basic needs that should be fulfilled, that burdens and rewards should not be spread too divergently across the community, and that policy should be directed with impartiality, fairness and justice towards these ends.

Extinction: It implies lowering the probability of undesired behaviour by removing reward for that kind of behaviour.

Fear Motivation: Fear motivation coercions a person to act against will.

Hygiene Factors: Hygiene factors are based on the need to for a business to avoid unpleasantness at work.

Incentive Motivation: It is where a person or a team reaps a reward from an activity.

Managers: An individual who is in charge of a certain group of tasks, or a certain subset of a company.

Morale: Morale is a measure of the general emotional state of a person or group, either positive (optimistic, "morale is high") or negative (pessimistic, "morale is low").

Motivation: Motivation refers to the way a person is enthused at work to intensify his/her desire and willingness to use and channelise his/her energy for the achievement of organisational objectives.

Motivator Factors: Motivator factors are based on an individual's need for personal growth.

Negative Reinforcement: This implies rewarding an employee by removing negative/ undesirable consequences.

Positive Reinforcement: This implies giving a positive response when an individual shows positive and required behaviour.

Power Motivation: It is the drive to influence people and change situations and motivated people wish to create an impact on their organization and are willing to take risks to do so.

Reinforcement: Reinforcement is a psychological concept based on the idea that the consequences of an action influence future behaviour.

Rewards: A reward is an appetitive stimulus given to a human or some other animal to alter its behaviour.

Self-actualization: Self-actualization is a term that has been used in various psychology theories, often in slightly different ways.

Self-esteem Needs: Self-esteem is an essential human need that is vital for survival and normal, healthy development.

13.8 Review Questions

1.   Define motivation. What are its objectives?

2.   What use can managers make of motivation theory in its present state of development?

3.   Discuss various types of motivation.

4.   Critically examine Maslow's need priority model. How far up the hierarchical ladder do most people progress?

5.   Why in the two factor theory, are satisfiers and dissatisfiers considered separate and distinct from each other?

6.   Critically examine the expectancy theory of motivation.

7.   How can a compeny utilise McClelland's theory of motivation in personnel relations and placement programmes?

8.   What is the role of money in motivating workers towards effective work?

9.   Explain the theory behind negative motivation.

10.   Highlight the factors that affect employee morale.

11.   Describe the causes of low employee morale.

12.   Explain the tips to boost employee morale.

Answers: Self Assessment

1.	True	2.	False
3.	True	4.	ERG
5.	Acquired	6.	Two-Factor
7.	False	8.	True
9.	False	10.	Negative
11.	Management	12.	Feedback
13.	False	14.	True
15.	True		

13.9 Further Readings

Books

Aswathappa, K. (2007), "*Human Resource and Personnel Management*, Tata McGraw Hill.

Bhattacharyya, D. K. (2006), *Human Resource Management*, Excel Books.

Mathis, Robert L & Jackson, John H. (2007), *Human Resource Management,* Thomson.

Rao, P. L. (2004), *Comprehensive Human Resource Management*, Excel Books.

Rao, VSP (2005), *Human Resource Management,* Excel Books.

Online links

http://ezinearticles.com/?What-is-the-Meaning-of-Motivation?&id=4326473

http://humanresources.about.com/od/motivationrewardretention/Employee_Motivation_Recognition_Rewards_Retention.htm

http://www.citehr.com/35175-different-types-motivation.html

http://www.ehow.com/about_5387352_definition-employee-motivation.html

http://www.expertsmind.com/HRM/motivation-homework-assignment-help.aspx

http://www.inc.com/guides/hr/20776.html

http://www.laynetworks.com/TYPES-OF-MOTIVATION.html

http://www.managementstudyguide.com/importance_of_motivation.htm

http://www.managementstudyguide.com/motivation-in-human-resource-development.htm

http://www.managementstudyguide.com/motivation-morale.htm

http://www.mbaknol.com/management-concepts/meaning-and-definition-of-motivation/

http://www.scribd.com/doc/16094913/HRMMotivation

Unit 14: Leading (Leadership), Job Satisfaction and Quality of Work Life

Objectives

After studying this unit, you will be able to:

- Discuss an overview of Leadership

- Describe the Leadership Theories

- Explain the concept of Job Satisfaction

- Discuss the different methods of measuring Job Satisfaction

- Explain the Quality of Work Life (QWL)

Introduction

In the previous unit, we dealt with the concept and theories of motivation along with the concept of employee morale and productivity. Change is the only unchanging features in this changing world. The ongoing business environment is no exception when it comes to this trend. Modern business is on a triumphant march through tracking changes via hard work from the most efficient business leaders. In fact no organization can successfully achieve its goal and mission unless and until those who constitute the organization are satisfied in their jobs. Job satisfaction is a complex and important concept for human resource managers to understand most employees do not believe their work is being properly rewarded. Nor do they believe that their companies are doing enough to attract high quality performers, train them, or manage them effectively. Quality of work life is a multi-faceted concept and its premise is having a work environment where employees' activities become more important. Quality of Work Life is becoming an increasingly popular concept in recent times. At the end of this unit, you should be able to understand the three basic concepts of Human Resource Management that is Leadership, Job Satisfaction and Quality of Work Life.

14.1 Leadership: An Overview

Leadership is a process by which an executive can direct, guide and influence the behaviour and work of others towards accomplishment of specific goals in a given situation. Leadership is the ability of a manager to induce the subordinates to work with confidence and zeal. Leadership is the potential to influence behaviour of others. It is also defined as the capacity to influence a group towards the realization of a goal. Leaders are required to develop future visions, and to motivate the organizational members to want to achieve the visions.

According to Keith Davis, *"Leadership is the ability to persuade others to seek defined objectives enthusiastically. It is the human factor which binds a group together and motivates it towards goals."*

Leading is establishing direction and influencing others to follow that direction. But this definition isn't as simple as it sounds because leadership has many variations and different areas of emphasis. Common to all definitions of leadership is the notion that leaders are individuals who, by their actions, facilitate the movement of a group of people toward a common or shared goal. This definition implies that leadership is an influence process.

Good leaders are made not born. If you have the desire and willpower, you can become an effective leader. Good leaders develop through a never ending process of self-study, education, training, and experience. This guide will help you through that process. The distinction between leader and leadership is important, but potentially confusing. The leader is an individual; leadership is the function or activity this individual performs. The word leader is often used interchangeably with the word manager to describe those individuals in an organization who have positions of formal authority, regardless of how they actually act in those jobs. But just because a manager is supposed to be a formal leader in an organization doesn't mean that he or she exercises leadership.

Leadership is often regarded as the important modifier of organizational behaviour. It is regarded as primarily personal in character as being founded upon individual pre-eminence or accomplishment in a particular field of behaviour. Thus superior strength, superior tact, superior intelligence, superior knowledge, superior will power any or all of these may be the means to the attainment of leadership. No one may deny that these personal qualities do pay dividends but leadership is not all personal pre-eminence. It is something more than that and that something more is the essence of leadership. It is the capacity to set new goals to hold forth new and loftier expectations for the group and to show the group its noble potentialities that make man a leader.

Effective leaders adopt strategies and techniques to try to win or take the lead in the competitive market, which is ultimately a game of "survival of the fittest." In both good and bad times, there is always a need for quality leadership. The success of a business or an industry is mostly dependent on the leaders it gets or inherits. The successful implementation of desired leadership techniques is crucial for meeting the changing demands in business. The mystique of leadership in and of itself makes it one of the most widely debated, studied and sought-after commodities in business.

Leadership in a very ordinary sense refers to creating a group of followers whom another individual leads. Merely accompanying a group of people isn't leadership unless the person actually is choosing and showing a direction to the followers. Without followers a leader isn't a leader in spite of having the desired qualities or nature of a leader.

The nature of business leadership is both a complex and compelling phenomenon. Many discussions of leadership confuse personality, important objectives, formal position and specific behaviours with acts of leadership. It may involve certain characteristics, but leadership is not confined to these characteristics; rather, it's all about influencing others in a substantial way.

Whether the setting is a business, a government, an educational institution or in an athletic setting, most people would agree that having a good leader is desirable. A good leader is someone like a good physician. Just as the physician must identify the patient's disease accurately to ensure the effectiveness of the prescribed treatment, the business leader must also be able to diagnose problems, values and voices while finding effective solutions.

In leadership you push past the average expectations by carrying a sense of mission, motivating, learning and inspiring new ways of thinking. This is known as transformational leadership. It emerges as the most updated and diversified techniques in the field of leadership theory and practices to boost workforce competency and performance.

14.1.1 Characteristics of Leadership

Successful leaders share the following characteristics or views:

1. *Mission:* Leaders know what their mission is. They know why the organization exists. A superior leader has a well thought out (often written) mission describing the purpose of the organization. That purpose need not be esoteric or abstract, but rather descriptive, clear and understandable. Every employee should be able to identify with the mission and strive to achieve it.

2. *Vision:* Where do you want your organization to go? A vision needs to be abstract enough to encourage people to imagine it but concrete enough for followers to see it, understand it and be willing to climb onboard to fulfill it.

3. *Goal:* How is the organization going to achieve its mission and vision and how will you measure your progress? Like a vision, goals need to be operational; that is specific and measurable. If your output and results can't be readily measured, then it will be difficult to know if you have achieved your purpose. You may have wasted important resources (time, money, people, and equipment) pursuing a strategy or plan without knowing if it truly succeeded.

4. *Competency:* You must be seen by your advisors, stakeholders, employees, and the public as being an expert in your field or an expert in leadership. Unless your constituents see you as highly credentialed—either by academic degree or with specialized experience— and capable of leading your company to success, it will be more difficult for you to be as respected, admired, or followed.

Caution Practically speaking, not all executives immediately possess all of the characteristics that spell success. Many leaders learn along the way with hard work. As crises and challenges arise, those at the top of the hierarchy have key opportunities to demonstrate to others that they are in fact, qualified to be leaders. In actuality, greater competency can be achieved as a leader gains more on-the-job experiences.

5. *A strong team:* Realistically, few executives possess all of the skills and abilities necessary to demonstrate total mastery of every requisite area within the organization. To complement the areas of weakness, a wise leader assembles effective teams of experienced, credentialed, and capable individuals who can supplement any voids in the leader's skill set. This ability is what sets leaders apart from others. However, the leader needs to be willing to admit he lacks certain abilities and go about finding trusted colleagues to complement those deficiencies. After building the team, the entrepreneur needs to trust that team to understand issues, create solutions, and to act on them.

6. *Communication skills:* It does little good to have a strong mission, vision, and goals—and even a solid budget—if the executive cannot easily and effectively convey his ideas to the stakeholders inside and outside of the organization. He must regularly be in touch with key individuals, by email, v-mail, meetings, or other forms of correspondence. Of course, the best way to ensure other people receive and understand the message is with face-to-face interactions.

Example: Getting out of the office or touring different sites is an irreplaceable method of building rapport and sending and receiving messages. "Management By Walking Around," or MBWA, meeting employees at their workstations or conference rooms, or joining them for lunch are just a few of the many effective approaches leaders can use to develop positive contacts with employees.

7. *Interpersonal skills:* Successful entrepreneurs are comfortable relating to other people; they easily create rapport and are at least more extroverted than they are introverted. These factors help leaders seem approachable, likeable, and comfortable in their position. Those qualities contribute to staff wanting to interact with their leader. They also help motivate employees to do a better job. When workers can relate to their boss, they believe that their boss is more concerned about them, with their performance, and with their output. Furthermore, they believe that they can go to their boss with problems they encounter on the job without fearing consequences for not knowing how to resolve issues.

Notes Not all entrepreneurs are adept at interpersonal skills. Those that aren't, might find it helpful to take a course, choose a mentor or locate a therapist to help them build interpersonal skills. The intangible cost is too high to not improve these abilities. In addition, here's where a strong team comes into play. The less experienced leader who is still learning these skills can rely on the team to get out and to "press the flesh," interact with employees, and spread a positive attitude to help develop morale.

8. *A "can do, get it done" attitude:* Nothing builds a picture of success more than achievement, and achievement is the number one factor that motivates just about everyone across all cultures. When employees see that their boss can lead and direct, has a clear vision and attainable goals, and actually gains results in a timely manner, then that person's credibility

increases throughout the organization. Entrepreneurs must modestly demonstrate their skills to give their constituents valid reasons to appreciate and value their efforts.

9. *Inspiration:* Quite often, employees need someone to look up to for direction, guidance, and motivation. The entrepreneur needs to be that person. Hopefully, Human Resources have hired self-motivated individuals. Nevertheless, there are times, when many employees need the boss to inspire them by word or action. Employees need someone to look up to, admire, and follow. Even when the production or delivery of services looks like "it is all going well," the leader may at times need to step in personally to offer a suggestion or encouragement to ensure that employees perform their jobs in an optimal manner.

10. *Ambition:* Resting on your laurels is bad for employee morale and entrepreneurial credibility. Employees need to be constantly striving for improvement and success; and they need to see the same and more in their leaders. When the boss is seen as someone who works to attain increasingly higher goals, employees will be impressed and more willing to mirror that behaviour. It's a win-win for everyone.

14.1.2 Traits or Qualities of Effective Leadership

The traits of an effective leader include the following:

1. *Integrity:* Honesty and integrity is the cornerstone of sustainable success. In order for people to want to follow their leader they must have complete trust in his honesty, his dedication, his commitment and his unshakeable ethics and high standards and values. Leaders who are open, truthful and consistent in their behaviours are more likely to inspire trust, loyalty and commitment in their teams.

2. *Willingness to take Risk:* Leaders are not afraid of taking risks or making mistakes. They take calculated as opposed to reckless risks and while they weigh their options and alternatives carefully they do not allow themselves to fall prey to the "analysis paralysis" syndrome. The best leaders learn from their mistakes and emerge from them resilient and ready to take on the next challenge.

3. *Optimism and Enthusiasm:* Leaders inspire others with the very infectiousness of their enthusiasm and their disarmingly genuine keenness, passion and zeal for what they do. Rather than dwelling on problems they are solution-oriented and focus on how to make things work and succeed. They are willing to see the silver lining in every cloud and have a 'can-do' optimistic attitude that leaves no place for negativity.

4. *Commitment to Growth:* Leaders recognize that learning is a life-long process and never stop doing what it takes to grow professionally and personally and maintain a grip with emerging trends and tools and business realities and technologies. The best leaders realize that to remain at the vanguard of their particular function or industry requires constant learning, enquiry, exploration and innovation as well as continuous self-scrutiny and analysis.

5. *Pragmatism:* While leaders may have lofty visions and ideals, they do not hide their heads in the clouds and are mindful of the hard facts and figures that surround them. They are very realistic when it comes to assessing the landscape they operate in and practical about the decisions they make.

6. *Responsibility:* Leaders can be depended on to take responsibility for their actions and to live up to their responsibilities completely. They stand firmly behind the commitments they make and do not let their teams down; nor do they assign or allocate blame to deflect from their own responsibilities. They do not have a victim mentality that holds others

responsible for their poor choices and deficiencies but stare challenges in the face and confront them head-on.

7. *Hard Work and Conscientiousness:* Leaders work hard and accept no short cuts. The best leaders lead by their example demonstrating a stellar work ethic by being the first in the office, the last out and the most productive, persistent and dedicated while at work. They have a strong sense of duty and very high standards of excellence and they apply these rigorous standards to themselves first always seeking better, smarter, more effective ways of doing things.

8. *Self-confidence:* Leaders have no shortage of that essential commodity of self-assurance that enables them to risk giant strides, be bold and tough-minded and 'fall forward' in the rare instances when they do fall/fail. Leaders generally have little need for approval and are motivated by an inner strength, maturity and drive. Leaders are very cognizant of their inner strengths, weaknesses and the impact they have on others and knowledgeable of what they can and cannot realistically do/achieve/influence. They do not wallow in self-pity or guilt over past mistakes or doubt.

9. *Emotional Intelligence:* Empathy, self-awareness, decisiveness, self-discipline, intuitiveness and social competence are all key to successful leadership and all are associated with high levels of emotional intelligence. Congeniality, the ability to put oneself in another's shoes and relate with others, the ability to read between the lines and analyze the pulse of a relationship or situation, the ability to focus on the positive and refrain from negative and self-defeating attitudes and behaviours, are all elements of emotional intelligence that contribute to leadership success.

10. *Expertise in Industry:* While there are many generalists in leadership positions the best leaders become generalists not by knowing a little about many fields but my being experts in a multitude of fields. Good leaders are characterized by a very high level of energy, conscientiousness and drive and spare no efforts to become experts in their field and harness all the information and knowledge and competence they need to maintain an edge over their competitors.

11. *Ability to Engage Others:* A key leadership trait is inspiring, motivating, engaging and bringing out the best in others. The best leaders encourage leadership in all around them and strive to develop and empower others to assume roles of leadership and responsibility. They are able to propel others to elevated levels of performance through their own energy and enthusiasm and insight and can maximize the strengths and capabilities of their team for the benefit of the whole organization.

14.1.3 Skills of Leadership

The skills required by the leader include the following:

1. *Getting and Giving Information:* Getting and Giving Information is probably the one competency required of leaders. If you cannot communicate effectively, then no other leadership skill will compensate for this lack. First and foremost, you must be able to exchange information effectively and accurately. There are three distinct aspects to communication, or getting and getting information: Getting it, retrieving it, and giving it.

2. *Knowing and Understanding Group Resources:* It provides an informal but recognized stage where group leaders and members can learn about more each other. This process increases the intensity of the exchanges, promoting honesty and trust. It accelerates the rate at which the group begins to coalesce and develop commitment to a common purpose. Greater productivity and increased quality are the results. As a leader, it is a good idea to

introduce activities that help the individuals in the group to become acquainted with one another's skills, knowledge, and abilities.

3. ***Controlling the Group:*** A group exists for a purpose. Control is the throttle on the group's engines—the energy that gives it direction. As a leader exerts control, he balances getting the job done and keeping the team together. To effectively control the team, a leader:

    ❖   *Sets the pace:* The most effective leader is out in front, demonstrating their willingness to do anything asked of team members. An effective leader always sets an excellent example.

    ❖   *Observes:* Observes the team, communicates with the members, is available, but does not dominate. Give suggestions for improvement rather than orders.

    ❖   *Instructs:* Communicate clearly. As a Manager of Learning, allow members to use their own initiative. Correct mistakes with respect and without passing judgment. If the work is going well, do not intrude. If required, provide direct assistance and additional instruction.

    ❖   *Counsels:* Be ready to help individuals with specific needs. Encourages all members to give their best.

    ❖   *Inspects:* Keeps a positive attitude and does not criticize. Praises good work, quietly offers suggestions to correct errors.

    ❖   *Reacts:* Recognizes that responsibility for failure is on the leader, while the responsibility for success rests on the members. Remains humble and continually strives to serve the team.

    Control is most often an overt behaviour of the leader. There are specific actions a leader can take to exert influence over a team. The leader in a team deploys the people in his patrol in a manner to promote control, breaking up destructive cliques, to encourage greater participation, etc. He stands at certain times to maintain or assert control. He counsels an individual to help him set a better example.

4. ***Counselling:*** Counselling employees simple, lay coaching and communication techniques. At its simplest, it is a private talk with someone that helps the individual with a personal problem. Counselling:

    ❖   Encourages individuals to talk and express their feelings in a safe, trusting environment.

    ❖   Helps reduce minor interpersonal aches and pains—common sense stuff.

    ❖   Helps the person talk about "where it hurts."

    ❖   Is focused on what to do "until the doctor arrives."

    ❖   Enables a learner to see a need for change—a change in his attitude— and accept the help you or members of his patrol or others can give him.

    As a leader, people will come to you with problems. Because you are a leader, you will spot people with problems. You can't turn them away or just let them suffer, because the ignored problem, if serious, will almost inevitably become a group problem

5. ***Setting the Example:*** As a leader, setting the Example means that your public and private lives are transparent and unified. Since we define leadership as a property of the group, and at its essence the act of influencing a group to achieve its goals, anyone is by definition a leader. Setting the Example is one way all members can influence the group.

While a very simple competency on the face of it, none is more important. Fail to demonstrate this competency to members of your group, and you are doomed to negative results. No matter how good a line you talk, if you don't match it with your walk, you will earn no respect and find it increasingly difficult to get the group to work with you.

Setting the Example is where your backbone shows. If you have character, if your character has integrity—that is, if who you are in public is the same person you are in private—you will accomplish far more than you might imagine possible. For this kind of leader, as long as he takes care of his follower's needs, enjoys their respect, loyalty, and even love.

6. *Representing the Group:* Representing the Group is accurately communicating to non-group members the sum of group members' feelings, ideas, etc., and *vice versa*. A leader must represent his team on a great variety of issues. Some of these issues and the need for a decision representing group interests will be known in advance; others will not be.

    Under any circumstances, to faithfully represent the group, you must:

    ❖ Fully understand the nature of the problem.

    ❖ Know how the decision (if any) was reached and be able to communicate it to others.

    ❖ Accurately and responsibly communicate from and back to the original group.

    ❖ Realize that other groups may derive their entire picture of another group through you, the representative. You must be consistent, possess integrity, and be fair to all parties.

    Representing the Group is more an art than an exact science. When the requirement to represent a group regarding a specific issue is known beforehand, then the entire representation issue is much more manageable. It's an issue requiring decision-making skill.

7. *Planning:* Planning as an ongoing process, where a decision at each step helps clarify your choices in the next step. The effective use of planning will do more than any other competency to advance both getting the job done and keeping the group together. It is an "umbrella" competency in its effect on a variety of issues. Planning is useful both in group situations and one-on-one. Planning is a "core competency." It offers a general conceptual framework to integrate a variety of related skills, including problem-solving, scheduling, time management, performance appraisal, negotiation, and conflict resolution. Planning is one of the most critical and complex competencies that you can master. Skilled use of this competency helps you get the job done and keep the group together in all kinds of situations.

8. *Evaluation:* Evaluation is the constant companion of the staff member. We constantly strive to improve ourselves, so we continually evaluate how we are doing. We call this the "Evaluation Attitude." This attitude, it turns out, is one of the five founding principles of the White Stag program. In almost any situation, except when responding to purely mechanical systems, we must consider the task and the people.

9. *Sharing Leadership:* Shared problem-solving and decision-making is an increasingly prevalent aspect of successful management and leadership worldwide. This is because competitive, authoritarian styles of leadership are less and less responsive to the complex challenges facing society today. A way of assessing the desirability of a leadership style or the need for sharing leadership with the team is to consider both the groups' short- and long-range goals. Effective, enlightened, unselfish leaders— true servants of the group — are not reluctant to encourage group participation and ownership of a decision.

Notes

> *Notes* Through all leadership situations, you must find a style of leadership most suited to the occasion that balances your own maturity and capabilities and the group's maturity and ability.

10. ***Manager of Learning:*** The emphasis is on learning, not on what the instructor teaches. Teaching connotes activities too typically requiring a lecture hall and a large number of desks. The Manager of Learning competency is more complex than other leadership competencies we develop. Manager of Learning describes a system for exposing learners to the need to know and involving them in their own learning. We believe the focus is always on the participants' learning, not the teacher's teaching.

Did u know? Manager of Learning has four steps:

(a) Guided Discovery

(b) Teach/Learn

(c) Application

(d) Evaluation

14.1.4 Styles of Leadership

Leadership style is the manner and approach of providing direction, implementing plans, and motivating people. The major styles of leadership are as follows:

1. ***Authoritarian (autocratic) Leadership Style:*** This style is used when leaders tell their employees what they want done and how they want it accomplished, without getting the advice of their followers. Some of the appropriate conditions to use it is when you have all the information to solve the problem, you are short on time, and your employees are well motivated. Some people tend to think of this style as a vehicle for yelling, using demeaning language, and leading by threats and abusing their power. This is not the authoritarian style, rather it is an abusive, unprofessional style called "bossing people around." It has no place in a leader's repertoire.

   The authoritarian style should normally only be used on rare occasions. If you have the time and want to gain more commitment and motivation from your employees, then you should use the participative style. The benefit of autocratic leadership is that it's incredibly efficient. Decisions are made quickly, and work gets done. The downside is that most people resent being treated this way. Therefore, autocratic leadership often leads to high levels of absenteeism and high staff turnover. However, the style can be effective for some routine and unskilled jobs: in these situations, the advantages of control may outweigh the disadvantages. Autocratic leadership is often best used in crises, when decisions must be made quickly and without dissent.

   Example: The military often uses an autocratic leadership style; top commanders are responsible for quickly making complex decisions, which allows troops to focus their attention and energy on performing their allotted tasks and missions.

2. ***Participative (democratic) Leadership Style:*** This style involves the leader including one or more employees in the decision making process (determining what to do and how to

do it). However, the leader maintains the final decision making authority. Using this style is not a sign of weakness; rather it is a sign of strength that your employees will respect. This is normally used when you have part of the information, and your employees have other parts.

Notes A leader is not expected to know everything — this is why you employ knowledgeable and skillful employees. Using this style is of mutual benefit — it allows them to become part of the team and allows you to make better decisions.

Democratic leaders make the final decisions, but they include team members in the decision-making process. They encourage creativity, and team members are often highly engaged in projects and decisions. There are many benefits of democratic leadership. Team members tend to have high job satisfaction and are productive because they're more involved in decisions. This style also helps develop people's skills. Team members feel in control of their destiny, so they're motivated to work hard by more than just a financial reward.

Because participation takes time, this approach can slow decision-making, but the result is often good. The approach can be most suitable when working as a team is essential, and when quality is more important than efficiency or productivity. The downside of democratic leadership is that it can often hinder situations where speed or efficiency is essential. Another downside is that some team members might not have the knowledge or expertise to provide high quality input.

Example: During a crisis, a team can waste valuable time gathering people's input.

3. *Delegative (free reign) or Laissez-Faire Leadership Style:* This French phrase means "leave it be," and it describes leaders who allow their people to work on their own. This type of leadership can also occur naturally, when managers don't have sufficient control over their work and their people. Laissez-faire leaders may give their teams complete freedom to do their work and set their own deadlines. They provide team support with resources and advice, if needed, but otherwise don't get involved.

This leadership style can be effective if the leader monitors performance and gives feedback to team members regularly. It is most likely to be effective when individual team members are experienced, skilled, self-starters. The main benefit of laissez-faire leadership is that giving team members so much autonomy can lead to high job satisfaction and increased productivity.

The downside is that it can be damaging if team members don't manage their time well or if they don't have the knowledge, skills, or motivation to do their work effectively. In this style, the leader allows the employees to make the decisions. However, the leader is still responsible for the decisions that are made. This is used when employees are able to analyze the situation and determine what needs to be done and how to do it.

Caution You must set priorities and delegate certain tasks. This is not a style to use so that you can blame others when things go wrong, rather this is a style to be used when you fully trust and confidence in the people below you.

4. *Transactional Leadership Style:* This leadership style starts with the idea that team members agree to obey their leader when they accept a job. The "transaction" usually involves the

Notes

organization paying team members in return for their effort and compliance. The leader has a right to "punish" team members if their work doesn't meet an appropriate standard.

Although this might sound controlling and paternalistic, transactional leadership offers some benefits. For one, this leadership style clarifies everyone's roles and responsibilities. Another benefit is that, because transactional leadership judges team members on performance, people who are ambitious or who are motivated by external rewards – including compensation – often thrive.

The downside of this leadership style is that team members can do little to improve their job satisfaction. It can feel stifling, and it can lead to high staff turnover.

Transactional leadership is really a type of management, not a true leadership style, because the focus is on short-term tasks. It has serious limitations for knowledge-based or creative work. However, it can be effective in other situations.

5. *Bureaucratic Leadership Style:* Bureaucratic leaders work "by the book." They follow rules rigorously, and ensure that their people follow procedures precisely. This is an appropriate leadership style for work involving serious safety risks (such as working with machinery, with toxic substances, or at dangerous heights) or where large sums of money are involved. Bureaucratic leadership is also useful in organizations where employees do routine tasks (as in manufacturing).

    The downside of this leadership style is that it's ineffective in teams and organizations that rely on flexibility, creativity, or innovation. Much of the time, bureaucratic leaders achieve their position because of their ability to conform to and uphold rules, not because of their qualifications or expertise. This can cause resentment when team members don't value their expertise or advice.

6. *Charismatic Leadership Style:* A charismatic leadership style can resemble transformational leadership because these leaders inspire enthusiasm in their teams and are energetic in motivating others to move forward. This excitement and commitment from teams is an enormous benefit. The difference between charismatic leaders and transformational leaders lies in their intention. Transformational leaders want to transform their teams and organizations. Charismatic leaders are often focused on themselves, and may not want to change anything.

    The downside to charismatic leaders is that they can believe more in themselves than in their teams. This can create the risk that a project or even an entire organization might collapse if the leader leaves. A charismatic leader might believe that she can do no wrong, even when others are warning her about the path she's on; this feeling of invincibility can ruin a team or an organization. Also, in the followers' eyes, success is directly connected to the presence of the charismatic leader. As such, charismatic leadership carries great responsibility, and it needs a long-term commitment from the leader.

7. *Task-oriented Leadership Style:* Task-oriented leaders focus only on getting the job done and can be autocratic. They actively define the work and the roles required, put structures in place, and plan, organize, and monitor work. These leaders also perform other key tasks, such as creating and maintaining standards for performance.

    The benefit of task-oriented leadership is that it ensures that deadlines are met, and it's especially useful for team members who don't manage their time well.

    However, because task-oriented leaders don't tend to think much about their team's well-being, this approach can suffer many of the flaws of autocratic leadership, including causing motivation and retention problems.

8. *People-oriented/Relations-oriented Leadership Style:* With people-oriented leadership, leaders are totally focused on organizing, supporting, and developing the people on their teams. This is a participatory style and tends to encourage good teamwork and creative collaboration. This is the opposite of task-oriented leadership. People-oriented leaders treat everyone on the team equally. They're friendly and approachable, they pay attention to the welfare of everyone in the group, and they make themselves available whenever team members need help or advice.

    The benefit of this leadership style is that people-oriented leaders create teams that everyone wants to be part of. Team members are often more productive and willing to take risks, because they know that the leader will provide support if they need it. The downside is that some leaders can take this approach too far; they may put the development of their team above tasks or project directives.

14.1.5 Leadership and Management

It is very important to get to grips with the fact that Leadership is different from Management. Quite simply they are not the same.

Unfortunately common language and parlance in business and the use of organisational titles like 'Leader' and 'Manager' add to the confusion about Leadership itself and Management itself.

This means than when looking to improve your 'leadership' or 'management' skills and capabilities you must first stop using the terms as 'the same thing' or interchangeably and recognise differences. This differentiation allows you to focus to the specifics needed to enhance capability and performance in each area.

The other issue to get to grips with is the use of the terms 'leaders' or 'manager' to refer to different layers in an organisation i.e. 'the leadership did x, y, z...' meaning those in the top positions did 'x,y,z...'. Just because a person is at a certain level does not mean they are a 'Leader'. They will require different 'leadership' and 'management' skills in their position to be effective. This is true of all positions as 'leadership' and 'management' will exist at all levels.

Considering the contrast between leadership and management provides another way to arrive at a definition of leadership. As with leadership, there is no single definition of management. Some common themes around management include:

- Getting work done through other people to achieve stated objectives

- Planning, organizing, leading and controlling

- Clarifying objectives, problem solving, planning work, managing resources, organizing and coordinating activity, measuring and controlling performance

Management is a complex set of interrelated skills and difficult to execute successfully in a sustained manner. Management in many ways seeks to ensure an organisation can deliver consistently and predictably and produces outputs, products and services that meet the customers' needs for quality, at the costs required, within the budget time and time again. With the complex nature of organisations today, their complex structures and supply chains delivering this consistent performance in changing worlds and markets in not easy. Going to back to Leadership we see it is more closely associated with:

Creating a vision for the future and communicating it, as well as the strategy or direction that needs to be taken to achieve it to people in such way that they will support it, commit to it and are motivated to achieve it.

- Planning and budgeting

- Delivering quality to meet customers defined requirements and targets

- Minimising waste

- Delivery consistency

- Delivering against budget

- Delivery to plan

- Organising resources, staff, jobs and systems.

- Measuring, monitoring and reporting performance.

- Problem solving to ensure the targets are met and changing conditions are tackled.

Of course, skilled management is required to plan, coordinate and control the activities and resources required in order to implement the vision.

Sources of Confusion

Another source of confusion is some writers that write about 'Management' include Leadership as a subset. This takes the grand view as that 'Management' is all a 'Leader' or 'Manager' does and is the overarching concept.

This view of 'management' being the overarching concept is sometimes viewed as useful by some practitioner managers and others that see the need to distinguish between Leadership and Management as purely an academic exercise with which they get bored.

Unfortunately this argument can distract from the fact that there are Leadership competencies and Management Competencies and most roles individuals perform require some of both. However, the emphasis and strength of need for each set will vary considerably depending on the job you are doing, the situation and the needs of the customers, stakeholders and organization.

Understanding the difference between the skill sets and their focus and impact is useful in helping people obtain and develop these competencies and impact their organisations, others around them and their own careers in the most impactful manner.

People Versus Things

Another focus is the people element of leadership as Miller et al make the following distinction between leadership and management:

'Management involves using human, equipment and information resources to achieve various objectives. On the other hand, leadership focuses on getting things done through others. Thus you manage things (budgets, procedures and so on), but you lead people.'

Whilst this can help with the mental view of the two areas of Leadership and Management it can confuse people 'on the ground' as they say 'I manage people' as well as 'I lead people'.

Interrelated

Leadership and management are closely related and it is not easy to distinguish them as separate activities in some situations hence the confusions which can occur.

Today's organizations are complex and need to be able to respond to increasing economic, market and competitive pressures.

To succeed, they need effective management to control and improve performance, processes and systems and effective leadership: to align their people to the organization's vision and motivate them to want to give their best to achieve it.

Leadership involves a set of executed competencies that define a better future, seize and creates opportunities and new models and inspire, enable and empower other people to commit to delivering it. It sees the changes needed and makes and delivers the transition from now to the new future with all is processes, systems, resources and people.

Management involves a set of executed competencies that plan, budget, controls and co-ordinates the resources, people, processes, systems and activities that will make those plans a reality and then deliver consistently the goals and targets required dealing with problems along the way.

Leadership and management can exist at any level in an organization within any specific role regardless of the roles title.

Roles will vary in the depth, breadth and complexity of the Leadership/Management combination of competencies that need to be exhibited and executed in a successful manner.

To develop these competencies (Attitudes, Skills, Knowledge and Behaviours) it is best to see Leadership and Management as separate competency/skill domains which are then used by an individual according to the organisation and role requirements, the situation/opportunities they face, the role they are in and their own capabilities and abilities.

Task We often hear of some leaders are task-oriented or goal-oriented and others are people-oriented. As a leader, if you have to choose between people or purpose, what will you choose? Of course, real-life leadership is not so clearly defined in terms either or and in reality, a compromise is possible. But for the sake of discussion, what will you choose? Why?

Caselet ## Leadership Development at IBM

In 2011, Fortune Magazine named International Business Machines (IBM) as the 'Global Top Company for Leaders'. According to Fortune, "This technology giant has deep profiles on 60,000 employees in, or who have the potential to be in, leadership roles. Where the average company might offer several hundred employees an international opportunity for two or three years, IBM gives 'mobility assignments' to thousands for three to six months." In 1993, IBM's sales and profits were declining at an alarming rate and the company reported a record net loss of US $ 8.1 billion. Many business analysts opined that IBM needed a 'change agent' and with the right leadership, the company could be saved. The company had smart, talented people with ample winning strategies but it was still at a standstill.

There were no technical problems either. All the company needed was someone to lead it and bring it back to action. However, in 2001, eight years after the deep financial crisis, the company reported a net income of US $ 7.7 billion. During the same period, that is from 1993-2001, the share price of IBM shot up by almost 800%. This was the period when Louis V. Gerstner Jr. (Gerstner) headed IBM. Gerstner played a major role in reviving the fortunes of IBM. Under his leadership, IBM made significant changes and strategically positioned itself in such as way as to suit the needs of its clients. From being product-centric, it changed to being customer-centric and provided complete solutions to its clients. IBM's image changed from being a company which primarily manufactured mainframes to one

which offered complete solutions in hardware, software, and other technologies. Sam Palmisano (Palmisano) took over as the eighth CEO of IBM in 2002. IBM was financially strong when Gerstner stepped down as CEO. Palmisano played a vital role in transforming IBM from the world's largest computer maker to a services and software powerhouse. Under his leadership, IBM's leadership development teams realized that the 'On-Demand' strategy could bring in a new set of leaders by quickly adapting to the changing market trends. He wanted IBMers to study the traits of IBM's best performing leaders and replicate those traits across the organization. Under Palmisano's leadership, IBM's earnings quadrupled and the stock rose to 57%. IBM's became well known for its leadership in many areas, including diversity, recruiting, training, and executive development. IBM's leadership development initiatives were widely lauded and won several accolades over the years. The organization spent approximately USD $ 750 million annually on developing and training its employees, but how effectively the leadership competencies could be deployed in an ever changing market conditions remained a point of debate.

Thomas J. Watson was appointed as its first CEO in 1914 and he held the title for nearly four decades. He saw the company's future in tabulators rather than scales and clocks. CTR adopted the name International Business Machines (IBM) in 1924. Its distinctive culture and product branding gave it the epithet 'Big Blue'. In 1956, Tom Watson Jr, succeeded his father as CEO and under his leadership, oversaw the digital computer age in IBM. He predicted the role computers would play in business, and gradually led IBM's transformation from makers of tabulating equipments/typewriters into a computer industry leader. In 1964, 'System/360' , the first large computers to use interchangeable software and peripheral equipment, were introduced. Over half-a-century of Watson family leadership came to an end in 1971 when Thomas J. Watson, Jr., stepped down and T. Vincent Learson took over as CEO for the next two years.

Leadership Under Lou Grestner: Proposals, and the Transformation

The Challenge

Gerstner was chairman of the board of IBM Corporation from April 1993 until his retirement in December 2002. He was CEO of IBM from 1993 until March 2002 and was credited with turning around IBM's fortunes.

Initial Plans

Gerstner's immediate task at IBM as CEO was to make the company profitable. He visited different IBM offices all over the world and met customers, competitors, senior executives, financial analysts, and consultants to get a first-hand account of the actual state of affairs. He called upon the top twelve managers of IBM and asked them to clearly define their business in terms of various parameters.

IBM Leadership Competencies

Gerstner also felt the need to integrate IBM's different business units in order to improve product quality. This led him to take the crucial decision of reversing the plans of his predecessor Akers to split IBM into 11 entities. Another challenge before him was bringing about cultural change.

IBM's Nextgens and Senior Leadership Group

In February 1995, Gerstner formed a Senior Leadership Group (SLG) with 300 top executives. The SLG was formed to focus attention on leadership development. This group acted as change agents for IBM's transformation and membership was not granted automatically; it had to be earned. Membership of the SLG was not based on rank or role.

IBM's Executive Assistant Program

Another IBM leadership development initiative was its Executive Assistant Program that focused on the NextGens. The company's Worldwide Management Council handpicked Executive Assistants who in turn served the top global executives. Under the program, the Executive Assistants were given broad exposure to the business problems and its leaders.

IBM's New Leadership Traits

In October 2002, IBM's then CEO Sam Palmisano unveiled a new initiative that he hoped would transform the company. He felt that IBM should quickly adapt to the rapidly changing market trends through an 'On-Demand' business model. He wanted to study IBM's best performing leaders and replicate their traits across IBMers.

Developing Leaders at IBM - The Process

IBM focused on the needs of corporate customers. The main factor that attracted talented people to IBM was its quality of leadership and development. "We strive to make sure that IBM is seen as the best choice for people with talent to develop themselves and their careers," said Sej Butler, IBM's European Recruitment Manager.

Leadership Foundation

Leadership Foundation, considered as the second stage of leadership development, allowed the first formal contact with the leaders at the Global Leadership Development Organization. Managers identified the leadership potential each candidate possessed and supervised a learning program, usually a work-enabled learning program or an online self learning program. "The work-enabled learning is a very important component.

Emerging Leaders

Candidates who performed exceedingly well at the Leadership Foundation were sent to the next level of leadership program called Emerging Leaders.

Basic Blue

IBM launched its first manager development program in 1999 and named it Basic Blue. On completing the Emerging leaders program, each candidate was supposed to take on his/her first management role, known as 'Basic Blue'. The Basic Blue program involved an intensive examination of the individual manager's strengths and weaknesses and involved peer-to-peer training. After participation in the Basic Blue program, there were a range of developmental programs available which could be opted for based on the needs of the individual.

Other Initiatives

According to J. Randall MacDonald, Senior Vice President, Human Resources, IBM Corporation, "The ability of an organization to look ahead and identify the skills it will need in the future, and then rapidly develop a critical mass of individuals with those skills in a cost-effective manner, will be a core competency for those companies looking to compete in the globally integrated world.".

Risk of the Insularity

Over the decades, IBM had received several accolades for its efforts to nurture leadership development at the company. The success of IBM leadership development was its orientation toward building leadership competencies for the near future. The leadership development initiatives and the succession planning helped the company immensely in

Contd...

making a smooth transition when a CEO retired from his post. At IBM, leadership development was used as a tool to socialize managers on key corporate values and build a strong, coherent culture.

*Source:*http://www.icmrindia.org/casestudies/catalogue/Human%20Resource%20and%20 Organization%20Behaviour/Leadership%20Development%20at%20IBM-Excerpts2.htm#Leadership_ Foundation

Self Assessment

State whether the following statements are true or false:

1. The nature of business leadership is both a complex and compelling phenomenon.

2. Honesty and integrity is the cornerstone of sustainable success.

3. Learning competency is simple than other leadership competencies.

14.2 Leadership Theories

Most theories view leadership as grounded in one or more of the following three perspectives: leadership as a process or relationship, leadership as a combination of traits or personality characteristics, or leadership as certain behaviours or, as they are more commonly referred to, leadership skills. In virtually all of the more dominant theories there exist the notions that, at least to some degree, leadership is a process that involves influence with a group of people toward the realization of goals.

1. *"Great Man" Theories:* The 'great man' theory was originally proposed by Thomas Carlyle. Great man theories assume that the capacity for leadership is inherent – that great leaders are born, not made. These theories often portray great leaders as heroic, mythical and destined to rise to leadership when needed. The term "Great Man" was used because, at the time, leadership was thought of primarily as a male quality, especially in terms of military leadership. Top executives, sports personalities, and even politicians often seem to possess an aura that sets them apart from others. According to the contemporary theorists, leaders are not like other people. They do not need to be intellectually genius or omniscient prophets to succeed, but they definitely should have the right stuff which is not equally present in all people. This orientation expresses an approach to the study of leadership known as the great man theory.

   The following are the Assumptions of theory:

   ❖ The leaders are born and not made and posses certain traits which were inherited

   ❖ Great leaders can arise when there is a great need.

   Much of the work on this theory was done in the 19th century and is often linked to the work of the historian Thomas Carlyle who commented on the great men or heroes of the history saying that "the history of the world is but the biography of great men". According to him, a leader is the one gifted with unique qualities that capture the imagination of the masses. Earlier leadership was considered as a quality associated mostly with the males, and therefore the theory was named as the great man theory. But later with the emergence of many great women leaders as well, the theory was recognized as the great person theory.

   The great man theory of leadership states that some people are born with the necessary attributes that set them apart from others and that these traits are responsible for their

assuming positions of power and authority. A leader is a hero who accomplishes goals against all odds for his followers. The theory implies that those in power deserve to be there because of their special endowment. Furthermore, the theory contends that these traits remain stable over time and across different groups. Thus, it suggests that all great leaders share these characteristic regardless of when and where they lived or the precise role in the history they fulfilled.

⚠️

Caution Many of the traits cited as being important to be an effective leader are typical masculine traits. In contemporary research, there is a significant shift in such a mentality.

2. *Trait Theory:* Similar in some ways to "Great Man" theories, trait theories assume that people inherit certain qualities and traits that make them better suited to leadership. Trait theories often identify particular personality or behavioural characteristics shared by leaders. If particular traits are key features of leadership, then how do we explain people who possess those qualities but are not leaders? This question is one of the difficulties in using trait theories to explain leadership. Successful leaders definitely have interests, abilities, and personality traits that are different from those of the less effective leaders. Through many researches conducted in the last three decades of the 20th century, a set of core traits of successful leaders have been identified. These traits are not responsible solely to identify whether a person will be a successful leader or not, but they are essentially seen as preconditions that endow people with leadership potential.

Among the core traits identified are:

❖ *Achievement drive:* High level of effort, high levels of ambition, energy and initiative

❖ *Leadership motivation:* An intense desire to lead others to reach shared goals

❖ *Honesty and integrity:* Trustworthy, reliable, and open

❖ *Self-confidence:* Belief in one's self, ideas, and ability

❖ *Cognitive ability:* Capable of exercising good judgment, strong analytical abilities, and conceptually skilled

❖ *Knowledge of business:* Knowledge of industry and other technical matters

❖ *Emotional Maturity:* Well adjusted, does not suffer from severe psychological disorders.

❖ *Others:* Charisma, creativity and flexibility

Some of the Strengths/Advantages of Trait Theory are given below:

❖ It is naturally pleasing theory.

❖ It is valid as lot of research has validated the foundation and basis of the theory.

❖ It serves as a yardstick against which the leadership traits of an individual can be assessed.

❖ It gives a detailed knowledge and understanding of the leader element in the leadership process.

Some of the Limitations of the Trait Theory are given below:

❖ There is bound to be some subjective judgment in determining who is regarded as a 'good' or 'successful' leader.

❖ The list of possible traits tends to be very long. More than 100 different traits of successful leaders in various leadership positions have been identified. These descriptions are simply generalities.

❖ There is also a disagreement over which traits are the most important for an effective leader.

❖ The model attempts to relate physical traits such as, height and weight, to effective leadership. Most of these factors relate to situational factors. For example, a minimum weight and height might be necessary to perform the tasks efficiently in a military leadership position. In business organizations, these are not the requirements to be an effective leader.

❖ The theory is very complex.

Implications of Trait Theory

The trait theory gives constructive information about leadership. It can be applied by people at all levels in all types of organizations. Managers can utilize the information from the theory to evaluate their position in the organization and to assess how their position can be made stronger in the organization. They can get an in-depth understanding of their identity and the way they will affect others in the organization. This theory makes the manager aware of their strengths and weaknesses and thus they get an understanding of how they can develop their leadership qualities.

3. *Fiedler's Contingency Theory:* Fred E. Fiedler's contingency theory of leadership effectiveness was based on studies of a wide range of group effectiveness, and concentrated on the relationship between leadership and organizational performance. This is one of the earliest situation-contingent leadership theories given by Fiedler. According to him, if an organization attempts to achieve group effectiveness through leadership, then there is a need to assess the leader according to an underlying trait, assess the situation faced by the leader, and construct a proper match between the two.

Contingency theories of leadership focus on particular variables related to the environment that might determine which particular style of leadership is best suited for the situation. According to this theory, no leadership style is best in all situations. Success depends upon a number of variables, including the leadership style, qualities of the followers and aspects of the situation. This theory states that a leader's effectiveness is contingent on how well the leader's style matches a specific setting or situation. And how, you may ask, is this different from situational theory? In situational the focus is on adapting to the situation, whereas contingency states that effective leadership depends on the degree of fit between a leader's qualities and style and that of a specific situation or context.

Fiedlers contingency theory was developed by Fred Fiedler in the late 1960s. He believes the effectiveness of leadership styles vary depending on the situation.

Similar to the DISC assessment model, Fiedler believes that there are two types of the leader, the task oriented one and the people oriented one.

The elements that would affect the effectiveness of leadership are:

❖ How clearly defined and structured the job scope is

❖ How much positional power the leader has

❖ The relationship between the leaders and the followers

Fiedler believes that the most favourable situation is one that has a clearly defined scope, high positional power and good relationship between the leaders and the followers.

Fiedler found that task-oriented leaders are more effective in extremely favorable or unfavorable situations, whereas relationship oriented leaders perform best in situations with intermediate favourability.

Leader's Trait

In order to assess the attitudes of the leader, Fiedler developed the 'least preferred co-worker' (LPC) scale in which the leaders are asked about the person with whom they least like to work. The scale is a questionnaire consisting of 16 items used to reflect a leader's underlying disposition toward others. The items in the LPC scale are pleasant/ unpleasant, friendly/unfriendly, rejecting/accepting, unenthusiastic/enthusiastic, tense/ relaxed, cold/warm, helpful/frustrating, cooperative/uncooperative, supportive/hostile, quarrelsome/harmonious, efficient/inefficient, gloomy/cheerful, distant/close, boring/interesting, self-assured/hesitant, open/guarded. Each item in the scale is given a single ranking of between one and eight points, with eight points indicating the most favorable rating.

Friendly	8	7	6	5	4	3	2	1	Unfriendly

Fiedler states that leaders with high LPC scores are relationship-oriented and the ones with low scores are task-oriented. The high LPC score leaders derived most satisfaction from interpersonal relationships and therefore evaluate their least preferred co-workers in fairly favorable terms. These leaders think about the task accomplishment only after the relationship need is well satisfied. On the other hand, the low LPC score leaders derived satisfaction from performance of the task and attainment of objectives and only after tasks have been accomplished, these leaders work on establishing good social and interpersonal relationships.
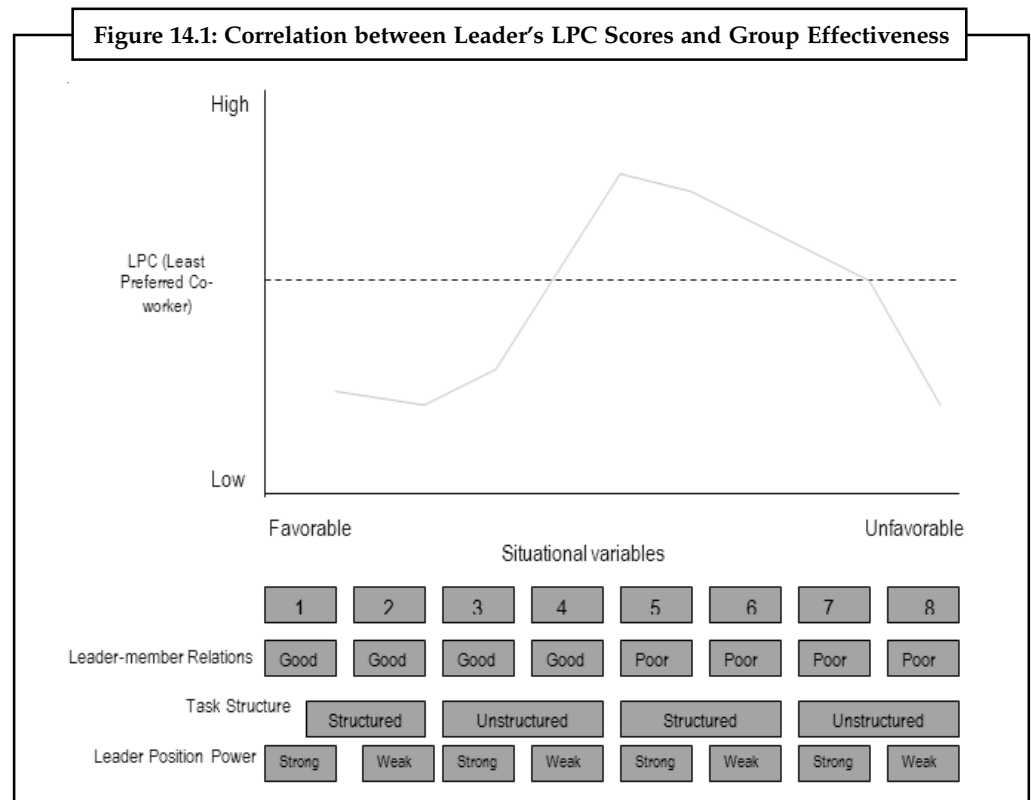
Situational Factor

According to Fiedler, a leader's behaviour is dependent upon the favourability of the leadership situation. Three factors work together to determine how favorable a situation is to a leader. These are as follows:

❖ *Leader-member relations:* The degree to which the leaders is trusted and liked by the group members, and the willingness of the group members to follow the leader's guidance

❖ *Task structure:* The degree to which the group's task has been described as structured or unstructured, has been clearly defined and the extent to which it can be carried out by detailed instructions

❖ *Position power:* The power of the leader by virtue of the organizational position and the degree to which the leader can exercise authority on group members in order to comply with and accept his direction and leadership

With the help of these three variables, eight combinations of group-task situations were constructed by Fiedler. These combinations were used to identify the style of the leader which is shown in Figure 14.1.

Figure 14.1: Correlation between Leader's LPC Scores and Group Effectiveness

Source: http://www.managementstudyguide.com/fiedlers-contingency-model.htm

Leadership Effectiveness

The leader's effectiveness is determined by the interaction of the leader's style of behaviour and the favorableness of the situational characteristics. The most favorable situation is when leader-member relations are good, the task is highly structured, and the leader has a strong position power.

Research on the contingency model has shown that task-oriented leaders are more effective in highly favorable (1, 2, 3) and highly unfavorable situation (7, 8), whereas relationship-oriented leaders are more effective in situations of intermediate favorableness (4, 5, 6).

Fiedler also suggested that leaders may act differently in different situations. Relationship-oriented leaders generally display task-oriented behaviours under highly favorable situations and display relationship-oriented behaviours under unfavorable intermediate favorable situations. Similarly, task-oriented leaders frequently display task-oriented in unfavorable or intermediate favorable situations but display relationship-oriented behaviours in favorable situations.

4. *Situational Theory:* Situational theories propose that leaders choose the best course of action based upon situational variables. Different styles of leadership may be more appropriate for certain types of decision-making.

Example: In a situation, where the leader is the most knowledgeable and experienced member of a group, an authoritarian style might be most appropriate. In other instances, where group members are skilled experts, a democratic style would be more effective.

This theory states that a leader's effectiveness is contingent on how well the leader's style matches a specific setting or situation. And how, you may ask, is this different from

situational theory? In situational, the focus is on adapting to the situation, whereas contingency states that effective leadership depends on the degree of fit between a leader's qualities and style and that of a specific situation or context.

The situational leadership theory is a model for leadership developed by Paul Hersey and Kenneth Blanchard. Situational leadership theory talks about four different leadership styles and how it relates to subordinate's confidence or ability to carry out a task.

(a)   The first leadership style is what they call telling. It is best used when subordinates either lack the ability or lack the maturity to handle a task well. This is when the leader needs to tell and direct the subordinates with specific instructions and expectations.

(b)   The next leadership style is called selling. Instead of telling them exactly what to do, the leader sells them the idea and gives them some level of independence and autonomy to perform the task. The success of this style will be dependent on how much the subordinates are 'sold' on.

(c)   After that, participating style where the leader talks to everyone about his ideas and hears the opinion of everyone. There is more shared responsibility in this style because the final decision on a task would be a collective decision of the whole team.

(d)   Finally the delegating style is when the leader fully delegates a task to a subordinate without specific instructions. He tells the subordinates about what needs to be achieved and he trusts the subordinate to find out how to achieve it.

This model assumes that the leader is able to change his behaviour to adapt to the changing needs and readiness of his subordinates. Nevertheless, it's a useful tool for you to assess your own subordinates and adapt to them accordingly.

5.   *Path Goal Theory:* The theory was developed by Robert House and has its roots in the expectancy theory of motivation. The theory is based on the premise that an employee's perception of expectancies between his effort and performance is greatly affected by a leader's behaviour. The leaders help group members in attaining rewards by clarifying the paths to goals and removing obstacles to performance. They do so by providing the information, support, and other resources which are required by employees to complete the task.

House's theory advocates servant leadership. As per servant leadership theory, leadership is not viewed as a position of power. Rather, leaders act as coaches and facilitators to their subordinates. According to House's path-goal theory, a leader's effectiveness depends on several employee and environmental contingent factors and certain leadership styles

This theory is about how leaders motivate followers to accomplish identified objectives. It postulates that effective leaders have the ability to improve the motivation of followers by clarifying the paths and removing obstacles to high performance and desired objectives. The underlying beliefs of path-goal theory (grounded in expectancy theory) are that people will be more focused and motivated if they believe they are capable of high performance, believe their effort will result in desired outcomes, and believe their work is worthwhile. The path goal leadership theory is a model that tries to understand the work motivation of every individual.

It states the work motivation of any individual is dependent on his/her assessment on:

(a)   Whether the effort would lead to good performance

(b)   The probability of a reward as a result of the good performance

(c)   The value of this reward

The Path-Goal Leadership Theory states that by clarifying the path to achieving good performance and removing pitfalls and enhancing personal satisfaction for the job, a leader is able to effective motivate his subordinate in work.

This often relates to the more managerial form of transactional leadership, where rewards for successful achievement are important.

However, path goal leadership does suffer criticisms for not being useful because it merely theorizes the model for motivation of employees and it talks very little about how leaders should act to maximise motivation for their employees.

This theory is more for the academics and researches to understand trends in leadership and a good understanding of this theory does not necessary make you a good leader. It is however, good to know because by clarifying with employees about the above three factors because they aid you in the clarity of your presentation and expectations. By reducing uncertainty to rewards through expectation management, you can truly motivate some people to work harder.

6. *Blake and Mouton's Managerial Grid:* The treatment of task orientation and people orientation as two independent dimensions was a major step in leadership studies. Many of the leadership studies conducted in the 1950s at the University of Michigan and the Ohio State University focused on these two dimensions.

    Building on the work of the researchers at these Universities, Robert Blake and Jane Mouton (1960s) proposed a graphic portrayal of leadership styles through a managerial grid (sometimes called leadership grid). The grid depicted two dimensions of leader behaviour, concern for people (accommodating people's needs and giving them priority) on y-axis and concern for production (keeping tight schedules) on x-axis, with each dimension ranging from low (1) to high (9), thus creating 81 different positions in which the leader's style may fall. (See figure 14.2).

Figure 14.2: Managerial Grid

Source: http://www.managementstudyguide.com/blake-mouton-managerial-grid.htm
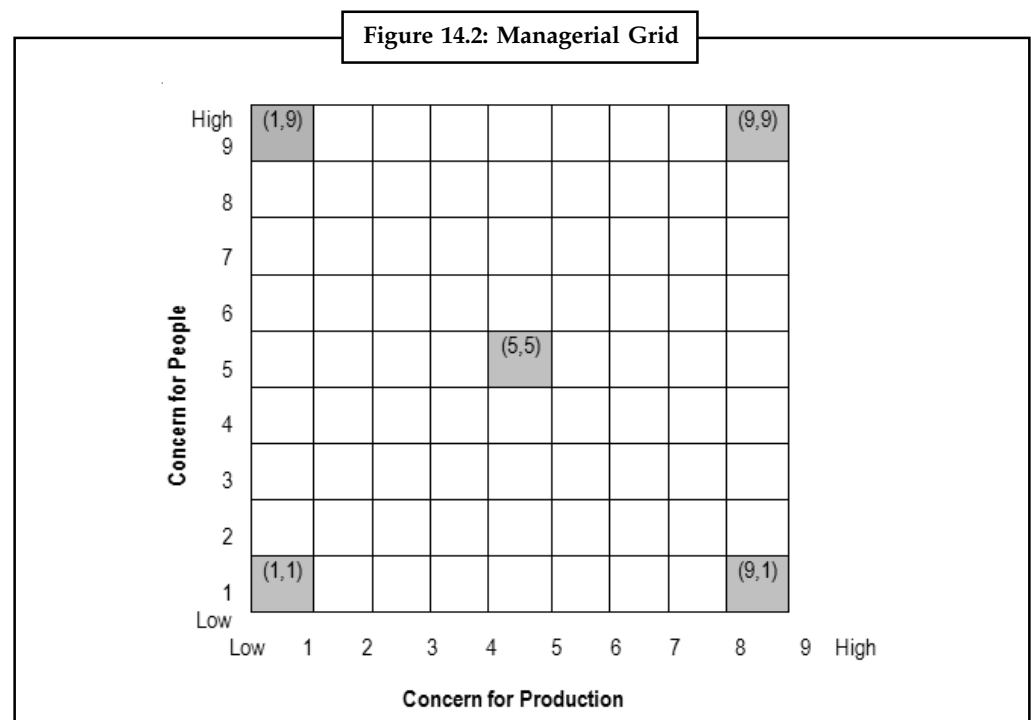
The five resulting leadership styles which are shown in Figure 14.2 are as follows:

(a) *Impoverished Management (1, 1):* Managers with this approach are low on both the dimensions and exercise minimum effort to get the work done from subordinates. The leader has low concern for employee satisfaction and work deadlines and as a result disharmony and disorganization prevail within the organization. The leaders are termed ineffective wherein their action is merely aimed at preserving job and seniority.

(b) *Task management (9, 1):* Also called dictatorial or perish style. Here leaders are more concerned about production and have less concern for people. The style is based on theory X of McGregor. The employees' needs are not taken care of and they are simply a means to an end. The leader believes that efficiency can result only through proper organization of work systems and through elimination of people wherever possible. Such a style can definitely increase the output of organization in short run but due to the strict policies and procedures, high labour turnover is inevitable.

(c) *Middle-of-the-Road (5, 5):* This is basically a compromising style wherein the leader tries to maintain a balance between goals of company and the needs of people. The leader does not push the boundaries of achievement resulting in average performance for organization. Here neither employee nor production needs are fully met.

(d) *Country Club (1, 9):* This is a collegial style characterized by low task and high people orientation where the leader gives thoughtful attention to the needs of people thus providing them with a friendly and comfortable environment. The leader feels that such a treatment with employees will lead to self-motivation and will find people working hard on their own. However, a low focus on tasks can hamper production and lead to questionable results.

(e) *Team Management (9, 9):* Characterized by high people and task focus, the style is based on the theory Y of McGregor and has been termed as most effective style according to Blake and Mouton. The leader feels that empowerment, commitment, trust, and respect are the key elements in creating a team atmosphere which will automatically result in high employee satisfaction and production.

Advantages of Blake and Mouton's Managerial Grid

The Managerial or Leadership Grid is used to help managers analyze their own leadership styles through a technique known as grid training. This is done by administering a questionnaire that helps managers identify how they stand with respect to their concern for production and people. The training is aimed at basically helping leaders reach to the ideal state of 9, 9.

Limitations of Blake and Mouton's Managerial Grid

The model ignores the importance of internal and external limits, matter and scenario. Also, there are some more aspects of leadership that can be covered but are not.

7. *Likert's Management System:* Rensis Likert and his associates studied the patterns and styles of managers for three decades at the University of Michigan, USA, and identified a four-fold model of management systems. The model was developed on the basis of a questionnaire administered to managers in over 200 organizations and research into the performance characteristics of different types of organizations. The four systems of management system or the four leadership styles identified by Likert are as follows:

(a) *System 1 – Exploitative Authoritative*: Responsibility lies in the hands of the people at the upper echelons of the hierarchy. The superior has no trust and confidence in

subordinates. The decisions are imposed on subordinates and they do not feel free at all to discuss things about the job with their superior. The teamwork or communication is very little and the motivation is based on threats.

(b) *System 2 – Benevolent Authoritative*: The responsibility lies at the managerial levels but not at the lower levels of the organizational hierarchy. The superior has condescending confidence and trust in subordinates (master-servant relationship). Here again, the subordinates do not feel free to discuss things about the job with their superior. The teamwork or communication is very little and motivation is based on a system of rewards.

(c) *System 3 – Consultative*: Responsibility is spread widely through the organizational hierarchy. The superior has substantial but not complete confidence in subordinates. Some amount of discussion about job related things takes place between the superior and subordinates. There is a fair amount of teamwork, and communication takes place vertically and horizontally. The motivation is based on rewards and involvement in the job.

(d) *System 4 – Participative*: Responsibility for achieving the organizational goals is widespread throughout the organizational hierarchy. There is a high level of confidence that the superior has in his subordinates. There is a high level of teamwork, communication, and participation.

The nature of these four management systems has been described by Likert through a profile of organizational characteristics. In this profile, the four management systems have been compared with one another on the basis of certain organizational variables which are:

(a) Leadership processes

(b) Motivational forces

(c) Communication process

(d) Interaction-influence process

(e) Decision-making process

(f) Goal-setting or ordering

(g) Control processes

On the basis of this profile, Likert administered a questionnaire to several employees belonging to different organizations and from different managerial positions (both line and staff). His studies confirmed that the departments or units employing management practices within Systems 1 and 2 were the lease productive, and the departments or units employing management practices within Systems 3 and 4 were the most productive.

Advantages

With the help of the profile developed by Likert, it became possible to quantify the results of the work done in the field of group dynamics. Likert theory also facilitated the measurement of the "soft" areas of management, such as trust and communication.

Did u know? According to Rensis Likert, the nearer the behavioural characteristics of an organization approach System 4 (Participative), the more likely this will lead to long-term improvement in staff turnover and high productivity, low scrap, low costs, and high earnings.

Self Assessment

Fill in the blanks:

4. The …………………… theory was originally proposed by Thomas Carlyle.

5 …………………… theories of leadership focus on particular variables related to the environment that might determine which particular style of leadership is best suited for the situation.

6. The …………………… leadership theory is a model for leadership developed by Paul Hersey and Kenneth Blanchard.

14.3 Concept of Job Satisfaction

Job Satisfaction comprises of two words "Job" and "Satisfaction". Before we define the phrase, it is important to understand the word "satisfaction". Satisfaction is defined as the fulfillment or gratification of a desire, need, or appetite. Gratification is a state of being gratified or satisfied. Therefore, one can conclude that "satisfaction" is an internal feeling and no amount of external pleasures or comforts can satisfy you unless you want "to feel" satisfied.

The term "job satisfaction" figures prominently in any discussions on management of human resources. Job satisfaction refers to a person's feeling of satisfaction on the job, which acts as a motivation to work. It is not the self-satisfaction, happiness or self-contentment but the satisfaction on the job. Job satisfaction is an individual's felling regarding his or her work. It can be influenced by a multitude of factors. The term relates to the total relationship between an individual and the employer for which he is paid. Satisfaction does mean the simple feeling state accompanying the attainment of any goal; the end state is feeling accompanying the attainment by an impulse of its objective.

Job satisfaction has many dimensions. Commonly noted facets are satisfaction with the work itself, wages, and recognition, rapport with supervisors and coworkers, and chance for advancement. Each dimension contributes to an individual's overall feeling of satisfaction with the job itself, but different people define the "job" differently. There are three important dimensions to job satisfaction:

1. Job satisfaction refers to one's feeling towards one's job. It can only be inferred but not seen.

2. Job satisfaction is often determined by how well outcomes meet or exceed expectations. Satisfaction in one's job means increased commitment in the fulfillment of formal requirements. There is greater willingness to invest personal energy and time in job performance.

3. The terms "job satisfaction" and "job attitudes" are typically used interchangeably. Both refer to effective orientations on the part of individuals towards their work roles, which they are presently occupying.

Though the terms "job satisfaction" and "attitudes" are used interchangeably, there are differences between the two. Attitude refers to predisposition to respond. Job satisfaction, on the other hand, relates to performance factors. Attitudes reflect one's feelings towards individuals, organizations, and objects. But satisfaction refers to one's attitude to a job. Job satisfaction is, therefore, a specific subset of attitudes.

14.3.1 Importance of Job Satisfaction

The job satisfaction enriches management with a range of information pertaining to job, employee, environment, etc. which facilitated it in decision making and correcting the path of organizational policies and behaviour.

Firstly, It indicates the general level of satisfaction in the organization about its programmes, policies etc.

Secondly, it is a diagnostic instrument for knowing employees problems, effecting changes and correcting with least resistance.

Thirdly, it strengthens the communication system of the organization and management can discuss the result for shaping the future course of action.

Fourthly, it helps in improving the attitudes of employees towards the job and facilitates integration of employee with the organization. It inspires sense of belongingness and sense of participation leading to the overall increase in the productivity of the organization.

Fifthly, it helps unions to know exactly what employees want and what management is doing. Thus, it facilitates mutual settlement of grievances and other unwanted situations.

Lastly, it facilitates in determining the training and development needs of the both, employees and the organization.

If we can improve job satisfaction and morale, we can improve job performance as well. Soon the management set about to take advantage of this newly found insight and they took action on two fronts. Firstly, they initiated attempts to measure the state of employee-feeling in order to know where to concentrate their efforts in improving employee-satisfaction. Secondly, they set about to train their managers, especially first-level supervisors, to pay attention to the attitudes and feelings of their subordinates so that performance could thereby be improved. The topic of job satisfaction at work is getting wider attention at this time. Job satisfaction is the satisfaction one feels while doing the job. Job satisfaction is one of the important factors, which affect not only the efficiency of the laborers but also such job behaviour as absenteeism, accidents, etc. Job satisfaction is the result of employee perception of how well the job provides those things that are viewed important. For the success of any organization, job satisfaction has vital importance. The employees who are satisfied are the biggest assets to an organization whereas the dissatisfied employees are the biggest liabilities.

Dissatisfaction leads to frustration and frustration leads to aggression. It is believed that employees dissatisfied with their job may be militant in their attitude towards the management. Dissatisfaction is infectious and quickly spreads to other employees and is likely to affect the morale and working of other employees and image of organization. A dissatisfied worker may seriously cause damage to the reputation and property of the organization and harm its business interest. Job satisfaction/dissatisfaction is the result of various factors which are related to the present job situations. These various factors are opportunities for career advancement, amount of tension at work, work involvement, relations with colleagues and supervisors, due recognition of merit, sufficient emoluments and good working conditions, grievances removal, feeling of fatigue and loneliness and prestige of the organization.

14.3.2 Benefits of Job Satisfaction

If job satisfaction are properly planned and administered, they will usually produce a number of important benefits, both general and specific. The following are the benefits:

1.   One benefit of job satisfaction is that they give management an indication of general levels of satisfaction in a company. It also indicates specific areas of satisfaction or

dissatisfaction (as with employee services) and particular group of employees (as in the tool department or among those over the age of forty).

2. Improved communication is another benefit. Communication flows in all directions as people plan the survey, talk, and discuss its results. Particularly, beneficial to the company is the upward communication when the employees are encouraged to comment about what they really have in their minds.

3. An unexpected benefit from a job satisfaction survey is improved attitudes. For some employees, the survey is a safety valve, an emotional release, a chance to get things off their chest. For others, the survey is a tangible expression of management interest in employee welfare, which gives employee a reason to feel better towards management.

4. The job satisfaction can help discover the causes of indirect productivity problems, such as absenteeism, turnover and poor quality of work. If an organization is disturbed by a high rate of absenteeism or turnover, it might appropriately turn to job satisfaction surveys to diagnose the cause. The causes could be low pay, lack of promotional opportunities, unchallenging jobs, unjust treatment, and the like. A job satisfaction helps management both to get a better handle on why employees are lagging to plan better solutions to problems.

5. Another benefit of satisfaction is that they help management assess training needs. Usually, employees are given an opportunity to report how they feel this supervisor performs certain parts of the jobs such as delegating work and giving adequate job instructions. Since, employees experience these supervisory acts, their perceptions may provide useful data about the training of their supervisors.

6. A job satisfaction is an indicator of the effectiveness of organizational reward systems. There is a positive relationship between performance and satisfaction. This relationship will be strong when rewards (intrinsic and extrinsic) are distributed equitably contingent upon performance. Now, job satisfaction can provide some clues as to the effectiveness of the organizational rewards system. They help managers judge whether the best performers are receiving the most rewards and the most satisfaction from their jobs. The best performers are likely to quit if they are not suitably rewarded.

7. One of the best uses of job satisfaction is in the evaluation of the impact of organizational changes on employee attitudes.

Example: The management wants to know whether the job redesign programme recently implemented in the organization has resulted in increased satisfaction to the employees. By comparing pre-change data, and post change data, it is easy to determine what impact the redesigned work has on employee attitudes.

8. Finally, it is not that satisfaction benefit only management. They are useful to unions too. Often, both management and union argue about what the employees want, but neither really knows. The job satisfaction is one way to find out.

14.3.3 Factors of Job Satisfaction

An employee's overall satisfaction with his job is the result of a combination of factors — and financial compensation is only one of them. Management's role in enhancing employees' job satisfaction is to make sure the work environment is positive, morale is high and employees have the resources they need to accomplish the tasks they have been assigned.

The important factors of job satisfaction are as follows:

1. *Working Conditions:* Because employees spend so much time in their work environment each week, it's important for companies to try to optimize working conditions. Such things as providing spacious work areas rather than cramped ones, adequate lighting and comfortable work stations contribute to favorable work conditions. Providing productivity tools such as upgraded information technology to help employees accomplish tasks more efficiently contributes to job satisfaction as well.

2. *Opportunity for Advancement:* Employees are more satisfied with their current job if they see a path available to move up the ranks in the company and be given more responsibility and along with it higher compensation. Many companies encourage employees to acquire more advanced skills that will lead to the chance of promotion. Companies often pay the cost of tuition for employees taking university courses, for example. During an employee's annual performance review, a supervisor should map out a path showing her what she needs to accomplish and what new skills she needs to develop in order to be on a track to advancement within the organization.

3. *Workload and Stress Level:* Dealing with a workload that is far too heavy and deadlines that are impossible to reach can cause job satisfaction to erode for even the most dedicated employee. Falling short of deadlines results in conflict between employees and supervisors and raises the stress level of the workplace. Many times, this environment is caused by ineffective management and poor planning. The office operates in a crisis mode because supervisors don't allow enough time for employees to perform their assigned tasks effectively or because staff levels are inadequate.

4. *Respect from Co-workers:* Employees seek to be treated with respect by those they work with. A hostile work environment — with rude or unpleasant coworkers — is one that usually has lower job satisfaction.

Did u know? In an August 2011, survey published by FoxBusiness.com, 50 percent of those responding said they had personally experienced a great amount of workplace incivility. Fifty percent also believe morale is poor where they work. Managers need to step in and mediate conflicts before they escalate into more serious problems requiring disciplinary action. Employees may need to be reminded what behaviours are considered inappropriate when interacting with coworkers.

5. *Relationship with Supervisors:* Effective managers know their employees need recognition and praise for their efforts and accomplishments. Employees also need to know their supervisor's door is always open for them to discuss any concerns they have that are affecting their ability to do their jobs effectively and impeding their satisfaction at the office.

6. *Financial Rewards:* Job satisfaction is impacted by an employee's views about the fairness of the company wage scale as well as the current compensation she may be receiving. Companies need to have a mechanism in place to evaluate employee performance and provide salary increases to top performers. Opportunities to earn special incentives, such as bonuses, extra paid time off or vacations, also bring excitement and higher job satisfaction to the workplace.

Self Assessment

State whether the following statements are true or false:

7. Satisfaction in one's job means decreased commitment in the fulfillment of formal requirements.

8. Dissatisfaction leads to frustration and frustration leads to aggression.

9. A job satisfaction is not an indicator of the effectiveness of organizational reward systems.

14.4 Different Methods of Measuring Job Satisfaction

Different methods for measuring job satisfaction include using surveys, interviewing employees and monitoring performance targets. Determining which method to use depends on the level of complexity or underlying issues the business feels could be causing the dissatisfaction. If it suspects that employees do not trust its managers, for instance, then an anonymous survey may be more useful than having management conduct personal interviews. In situations wherein the company feels that the underlying problem is complex, then interviews may be more appropriate for understanding the full extent of the problem. Job satisfaction is a qualitative aspect and cannot be understood in strict quantitative terms. It is an intangible and psychological concept. It was concluded that job satisfaction should be measured through survey of employees' attitudes. In most of the organisations, there is a practice of conducting surveys of employee's intentions in a regular manner. The commonly applied techniques employed to measure job satisfaction are discussed below:

1. *Surveys:* Surveys are a common method of measuring job satisfaction. A survey can assess satisfaction in the areas of pay, promotion, supervision, tasks and coworkers. While standard surveys are available for businesses, a customized survey that is tailored to a business's own needs and industry may be more effective. Surveys with the majority of questions in the multiple-choice format typically are preferred so that responses can be compared and analyzed more easily. Employees who are allowed to remain anonymous are more likely to be more open and honest with their answers since they will not feel pressure or fear of repercussion.

Did u know? According to the National Business Research Institute (NBRI), satisfaction surveys are an effective way to measure how happy employees are at work. These surveys, which are presented in a questionnaire format, can gauge whether employee morale is high or low based on how employees answer the questions. The NBRI explains that employers use information provided by satisfaction surveys to evaluate what employee motivation is like, whether they are satisfied with their jobs, what the organization's weaknesses are and whether employees feel loyal and committed to their company.

2. *Interview:* Interviewing employees as a method of measuring job satisfaction is mostly useful in organizations that have positive relationships with employees and believe the problem is too sophisticated to be understood with a survey. If employees do not trust the organization or interviewer, however, responses may not be entirely honest. Businesses with low job satisfaction or employees who fear being let go may find the employees reluctant to discuss the situation since they may fear it could negatively affect them in the future. The questions asked should be standardized in order to compare different employee responses as well as the same employee's responses over time. Conducting personal interviews has also proved important method of measuring job satisfaction of the employees. The experts conduct these personal interviews where employees express their opinions on job satisfaction. The responses delivered through these interviews are analyzed to find their level of job satisfaction. It is believed that this method is likely to have personal biased views of the interviewer also.

3. *Monitoring or Visual Observation:* Monitoring performance targets is a method of measuring job satisfaction that requires a business to be an active observer. With this method, management monitors employee satisfaction by using standard criteria, such as

achieving bonuses, participating in optional programs and performance in reaching goals. This method provides indirect data on the levels of job satisfaction. While it can flag management that there is a problem with job satisfaction, combining this with a survey or interview can provide the company with a stronger analysis on the cause of low levels of job satisfaction.

Measuring employee satisfaction is something that can be done by visual observation. Low morale is a psychological condition, but it is possible for it to take tangible forms. For instance, people with high morale may appear more cheery, may smile more often and may show more positive energy. On the other hand, employees with low morale may move at a slower pace, not demonstrate a positive enthusiasm for their jobs and may appear psychologically "flat." If employers wish to see things for themselves, it is a good idea for them to open their eyes and watch what goes on in the workplace.

4. *Rating Scale:* Rating scales are the commonly adopted method that is used for the measuring job satisfaction. It comprises of certain statements describing the attitude of the employees with respect to the job, organisation and personal factors. For each declaration or statement, the employee is invited to express his opinion on a scale consisting of different expressions.

5. *Tendencies:* The employees are asked to express their tendency or inclination on several aspects and this reveals their satisfaction or dissatisfaction.

6. *Critical Incidents:* Herzberg made developed approach to measure job satisfaction. In this particular method, the employees were asked to describe incidents on their job when they were particularly satisfied or dissatisfied. These set of incidents were then analyzed to determine their positive and negative attitudes.

Businesses with high levels of job satisfaction tend to experience a lower employee turner, higher productivity and lower overall costs. Whichever method or methods are used for measuring job satisfaction, the business should collect qualitative and quantitative data. This puts the data in a format that is easier to analyze and compare.

Example: When interviewing employees, the interviewer could mix in simple questions that result in answers of "yes" or "no," or ratings on a scale of one to five.

Self Assessment

Fill in the blanks:

10. A …………………… can assess satisfaction in the areas of pay, promotion, supervision, tasks and coworkers.

11. …………………… performance targets is a method of measuring job satisfaction that requires a business to be an active observer.

12. The employees are asked to express their …………………… on several aspects and this reveals their satisfaction or dissatisfaction.

14.5 Quality of Work Life (QWL)

Quality of work life can be defined as the environment at the work place provided to the people on the job. QWL programs is the another dimension in which employers has the responsibility to provide congenial environment i.e. excellent working conditions where people can perform excellent work also their health as well as economic health of the organization is also met. The quality of personal life is always reflected in professional life and vice versa. Now-a-day to

retain the employees in the organization providing healthy QWL is the key factor. In earlier times, QWL means only job enrichment. In addition to improving the work system, QWL programs usually emphasize on development of employee skills, the reduction of occupational stress and the development of more co-operative labour-management relations.

It is generic term which covers a person's feelings about every dimension of his work, e.g. economic incentives and rewards, job security, working conditions, organizational and interpersonal relationships etc. The term "QWL" has different meanings for different people. A few important definitions of QWL are as follows:

1. According to Harrison, *"Quality of Work Life is the degree to which work in an organization contributes to material and psychological well being of its members."*

2. According to D. S. Cohan, *"Quality of Work Life is a process of joint decision making, collaborations and building mutual respect between management and employees."*

According to the American Society of Training and Development, *"Quality of Work Life is a process of work organization which enables its members at all levels to participate actively and effectively in shaping the organizations' environment, methods and outcomes. It is a value based process which is aimed towards meeting the twin goals of enhanced effectiveness of the organization and improved quality of life at work for the employees"*.

Quality of Work Life influences the productivity of the employees. Researchers have proved that good QWL leads to psychologically and physically healthier employees with positive feelings.

Quality of Work Life is the degree to which employees of an organization are able to satisfy their personal needs through experience in the organization. It main aim is to create a work environment where employees work in cooperation with each other and contribute to organizational objectives.

Another way to increase job satisfaction among employees is to provide a high quality of work-life (QWL) environment, in which employees may be productive because their work situations is one in which they find satisfaction. A QWL environment may contain either routinized jobs or enriched jobs. The key to QWL is the institutionalization of the following components, all within the employer's purview:

1. Fair and adequate compensation;

2. Safe and healthy work environment;

3. Opportunities to develop human capacities by performing meaningful work and suggesting new ways of doing job tasks;

4. Growth and security, which includes opportunities to improve knowledge, skills, and abilities, and a sense of job security;

5. Social integration, which includes the opportunity to interact favorably with both co-workers and manager;

6. Constitutionalism, which includes personal policies that are administered fairly, a work environment free of harassment, and equal opportunities for employees to advance;

7. Total life space, which includes the ability to balance the demands of home and work; and

8. Social relevance, which includes pride in both the job and the employer.

A high quality of work life can result from a determined effort on the part of a human resource manager. It may also exist simply as a result of concerned executives and skilled managers who display "good management". The presence of QWL factors in an organization sets the stage for

job satisfaction to occur. The factors are a backdrop against which the activities of both employees and supervisors take place. Without them the work environment can be uncomfortable, even hostile. With QWL factors in place, the real business of balancing job satisfaction and performance can begin. If quality working conditions are not present, people will become dissatisfied. They may look for other jobs. They may simply perform at a minimal level. In either event, the organization will lose. What employees at all levels of the organization want is "good work" is not only a job, but also a source of financial support; that is:

● Work that allows people to use the skills that are unique and special to them;

● Work that allows people to be in relationships with one another at the work place; and

● Work that allows people to produce something that is "good" something to which they can look with pride, something that has social relevance

Alert and conscientious human resource managers, reviewing the working environment in their organizations, can discover and prevent uncomfortable conditions. This means implementing procedures or policies that make the work less routine and more rewarding for the employee. These procedures or policies include autonomy, recognition, belonging, progress and development, and external rewards. It basically talks about the methods in which an organisation can ensure the holistic well-being of an employee instead of just focusing on work-related aspects. It is a fact that an individual's life can't be compartmentalised and any disturbance on the personal front will affect his/her professional life and vice-versa. Therefore, organisations have started to focus on the overall development and happiness of the employee and reducing his/her stress levels without jeopardising the economic health of the company.

14.5.1 Scope of QWL

Quality of work life is a multi dimensional aspect. The workers expect the following needs to be fulfilled by the organizations:

1. *Compensation:* The reward for work should be above a minimum standard for life and should also be equitable. There should be a just an equitable balance between the effort and the reward.

2. *Health and Safety:* The working environment should be free from all hazards detrimental to the health and safety of the employees. The main elements of a good physical environment for work should be reasonable hours of work, cleanliness, pollution free atmosphere, risk free work etc.

3. *Job Security:* The organization should offer security of employment. Employees should not have to work under a constant concern for their future stability of work and income.

4. *Job Design:* The design of jobs should be such which is capable of meeting the needs of the organization for production and the individual for satisfying and interesting work. Quality of work life can be improved if the job allows sufficient autonomy and control, provides timely feed back on performance and uses a wide range of skills.

5. *Social Integration:* The workers should be able to feel a sense of identity with the organization and develop a feeling of self esteem. This includes the elimination of discrimination and individualism, whilst encouraging teams and social groups to form.

6. *Social Relevance of Work:* Work should not only be a source of material and psychological satisfaction, but also a means of social welfare. An organization that has greater concern for social causes can improve the quality of work life.

7. *Scope for Better Career Opportunities:* The management should provide facilities to the employees for improving their skills both academic and otherwise. The management

should always think of utilizing human resources for expansion and development of the organizations.

14.5.2 Principles of QWL

According to N. Q. Herrick and M. Maccoby, there are four basic principles, which will humanize work and improve the Quality of Work Life:

1. *Principle of Security:* Quality of work cannot be improved until employees are relieved of the anxiety, fear and loss of future employment. The working conditions must be safe and fear of economic want should be eliminated. Job security and safety against occupational hazards is an essential precondition of humanization of work.

2. *Principle of Equity:* There should be a direct and positive relation between effort and reward. All types of discrimination between people doing similar work and with same level of performance must be eliminated. Equity also requires sharing the profits of the organization.

3. *Principle of individualism:* Employees differ in terms of their attitudes, skills, potentials etc. Therefore, every individual should be provided the opportunities for development of his personality and potential. Humanization of work requires that employees are able to decide their own pace of activities and design of work operations.

4. *Principle of Democracy:* This means greater authority and responsibility to employees. Meaningful participation in decision making process improves the quality of work life.

14.5.3 Techniques of QWL

The quality of work life movement is of recent origin and has a long way to go. Individual as well as organized efforts are required to improve the quality of work life for millions of workers in the country. Some of the techniques used to improve the QWL are as given below:

1. *Flexible Work Schedules:* There should be flexibility in the work schedules of the employees. Alternative work schedules for the employees can be flexi time, staggered hours, compressed work week, etc. Flexi time is a system of flexible working hours, staggered hours schedule means that different groups of employees begin and end work a different intervals. Compressed work week involves longer hours of work per day for fewer days per week.

2. *Job Redesign:* Job redesigning or job enrichment improves the quality of the jobs. It attempts to provide a person with exciting, interesting, stimulating and challenging work. It helps to satisfy the higher level needs of the employees.

3. *Opportunity for Development:* Career development is very important for ambitious and achievement oriented employees. If the employees are provided with opportunities for their advancement and growth, they will be highly motivated and their commitment to the organization will increase.

4. *Autonomous Work Groups:* Autonomous work groups are also called self managed work teams. In such groups, the employees are given freedom of decision making. They are themselves responsible for planning, organizing and controlling the activities of their groups. The groups are also responsible for their success or failures.

5. *Employee's Participation in Management:* People in the organization should be allowed to participate in the management decisions affecting their lives. Quality circles, Management by objectives, suggestion system and other forms of employee's participation in management help to improve the Quality of Work Life.

6.   *Job Security:* Employees want stability of employment. Adequate job security provided to the employees will improve the Quality of Work Life to a large extent.

7.   *Equitable Justice:* The principle of equitable administrative justice should be applied in disciplinary actions, grievance procedures, promotions, transfers, work assignments etc. Partiality and biasness at any stage can discourage the workers and affect the Quality of Work Life.

14.5.4 Specific Issues in QWL

Besides normal wages, salaries, fringe benefits etc., the specific issues are being identified by the human resource managers on regular basis. Following issues are highly relevant and determine the Quality of Work Life in any organization:

1.   *Pay and stability of employment:* Good pay dominates most of the factors in employee satisfaction. Alternative means of providing wages should be developed to increase the cost of living index, profession tax, etc.

2.   *Occupational stress:* It's a condition of strain on employee emotions. Stress is caused due to irritability, hyper excitation or depression, unstable behaviour, fatigue, stirring heavy smoking and drug abuse has to be identified.

3.   *Organizational health programmes:* Its helps to aim at educating about health Programmes, means of maintaining and improving of health.

4.   *Alternative work schedules:* Includes flexi times, work at home, staggered hours, reduce work hours, part time employment.

5.   *Participative management and control of work:* The trade unions and workers believe that workers participation in management and decision-making improves QWL.

6.   *Recognition:* Rewarding system, congratulating the employees for their achievement, job enrichment, offering membership in clubs or association, vehicles, etc. recognizes the employees.

7.   *Congenial worker-supervisor relations:* This gives the worker a sense of social association, belongingness, achievement of work results, etc.

8.   *Grievance procedure:* Employees will have a fair treatment when the company gives them the opportunity to ventilate their grievances and present their case sincerely rather than settling the problem arbitrarily.

9.   *Adequacy of resources:* Resources should match with states objectives; otherwise employees will not be able to attain the objectives.

10. *Seniority and meriting promotions:* Seniority is considered as basis for promotion. Merit is considered as the basis for advancement for managerial people.

11. *Employment on permanent basis:* It gives security and leads to higher order QWL.

14.5.5 Measures to improve QWL

Measures to improve the quality of work life are as follows:

1.   *Flexibility on job:* Flexibility on job means flexible working hours, no fixed working hours, different time intervals, etc. By this flexibility in the job can be introduced.

2.   *Job enrichment:* Job enrichment focuses on designing the job in such a way that becomes more interesting and challenging so that it satisfies the higher level needs.

3. *Secured job:* Security of job should be provided to the employee to make him feel committed and loyal to the organization.

4. *Grievance handling:* The disciplinary procedure, grievance procedures, promotions, and transfer matters should be handled with of justice, fair and equity.

5. *Participative Management:* Employees should be allowed to participate in management participative schemes which may be of several types. The most sophisticated among them is quality circle.

Quality of Working Life is not a concept, that deals with one area but it has been observed as incorporating a hierarchy of concepts that not only include work-based factors such as job satisfaction, satisfaction with pay and relationships with work colleagues, but also factors that broadly focuses on life satisfaction and general feelings of well-being. To retain a good talent in the organization it is important for the organization that he should have low stress level and high quality of work life.

Self Assessment

State whether the following statements are true or false:

13. QWL programs are the dimension in which employers has the responsibility to provide congenial environment.

14. A low quality of work life can result from a determined effort on the part of a human resource manager.

15. Work should only be a source of material and psychological satisfaction.

Case Study **SAS Inc.: Working the Good Life**

In January 2010, SAS Inc. (SAS) the world's largest private organization offering business analytics software, ranked topmost in Fortune magazine's 100 Best Companies to Work For" annual survey. SAS had secured a place on the list consistently for 13 years. It had been ranked seven times among the top ten and five times among the top five based on the survey conducted by Fortune in collaboration with Great Place to Work Institute (GPWI). Jim Davis (Davis), Senior Vice President and Chief Marketing Officer for SAS, said, "We're honored to receive this award and this recognition of our commitment to our employees, and by extension, our customers."

In addition to the sophisticated business intelligence products and services that SAS sold, the company was admired for its employee-centric policies that focused on health care, child care and the work-life balance of employees. Right from its inception, SAS's corporate philosophy was "satisfied employees create satisfied customers", a strategy that helped the company register increasing revenue in each year of its operation. Experts attributed this success to the company's investment in its 'creative capital' i.e., its employees. They said that from the beginning SAS had pursued the practice of motivating its employees through its exceptional human resource management (HRM) practices to promote work-life balance - a tradition initiated by its founder and CEO Jim Goodnight. The campus at SAS headquarters located in Cary, North Carolina, boasted of several onsite privileges like a 66,000 sq ft big recreation center with fitness and swimming facilities, day care centers, an eldercare information and referral program, health center, restaurants, etc.

Contd...

From the beginning, Goodnight had been instrumental in promoting a culture that built "trust between employees and the company". The employee-centric business model the company adopted helped SAS to enjoy the highest levels of employee loyalty. SAS offered its employees flexible work hours with a 35-hour weekly work schedule. The employees could work for 7 hours every day in a five-day week. They could also complete their personal work and work for fewer hours on one day and compensate for it by working for more hours another day. Experts felt that SAS's employee-friendly working environment was best illustrated by the company's campus at its headquarters in Cary. The campus offered its employees a plethora of recreation facilities including cafes, open landscaped campus gardens, tennis courts, a 36,000 sq ft gym or fitness room, a natatorium and swimming pools, and open roof meditation rooms. Besides the normal onsite recreational amenities, SAS became synonymous with the unusual perks that it provided employees. From its inception, it was known for offering complimentary goodies like free fresh fruits on Mondays, M&Ms on Wednesdays, and free breakfast items like pastries, crackers, juice, etc. on Fridays. In addition to a flexible work schedule, SAS offered its employees several work life programs that helped them take care of their personal and family related responsibilities. Though most companies had started including work family initiatives in their HR practices in recent years, SAS had introduced them during its initial days.

In addition to the numerous perks the company gave its employees, it also paid an attractive salary package. The compensation package had a variable component based on profit sharing, bonuses, and individual performance. Though SAS provided a wide range of perks, it did not offer stock holding options to employees like other software companies. This was because it was a privately held company and Goodnight consistently opposed the idea of going public. SAS's insistence on preserving its creative resources, i.e. its talented workforce, guided the company in introducing various employee well-being policies and perks. According to Goodnight, "Ninety-five percent of our assets drive out the gate every afternoon at five.

HRM experts applauded SAS as well as Goodnight as trendsetters in encouraging work life balance. According to industry observers, SAS had set an example for other companies on how to reduce employee attrition by providing a better work environment and following family-oriented policies. The company refused to agree with the critics' opinion that the flexible work hour option might result in some employees working for fewer hours, and hence the work schedule of employees should be monitored. In accordance with its tradition, SAS did not retrench its workforce even during the global economic recession of 2008-2010. Goodnight said that since SAS valued its employees as its most important asset, it would never resort to layoffs to reduce costs and improve profits.

Questions:

1. Highlight the importance of work life balance and employee benefits, particularly in the knowledge-based industry.

2. Analyze the various work life balance and work life benefits offered by SAS to its employees and how these contribute to reduced employee turnover and job satisfaction.

3. How the employee-centric policies and practices contributed to the business success of SAS?

14.6 Summary

- Leadership is the social process of influencing the behaviours of others without posing any threats of violence.

- It is a process of influencing the thoughts, attitudes and behaviours of others by setting a direction that helps visualize what they can hope to achieve or what lies ahead for them.

- It's the capability of getting other people to do something significant through harnessing their efforts jointly.

- A strategic way of achieving job satisfaction is to establish a corporate culture that encourages communication and is directed towards quality work.

- It is particularly important for employees to see excellence rewarded, to not fear making mistakes, to work in an atmosphere of helpfulness, and to see a relationship between hard work and rewards.

- QWL provides a more humanized work environment.

- It attempts to serve the higher-order needs of workers as well as their more basic needs.

- It seeks to employ the higher skills of workers and to provide an environment that encourages them to improve their skills.

- The idea is that human resources should be developed and not simply used.

- Further, the work should not have excessively negative conditions. It should not put workers under undue stress.

- It should not damage or degrade their humanness. It should not be threatening or unduly dangerous.

- Finally, it should contribute to, or at least leave unimpaired, worker's abilities to perform in other life roles, such as citizen, spouse, and parent.

14.7 Keywords

Authoritarian: Authoritarianism is a form of social organization characterized by submission to authority as well as the administration of said authority.

Charismatic Leadership Style: A charismatic leadership style can resemble transformational leadership because these leaders inspire enthusiasm in their teams and are energetic in motivating others to move forward.

Counselling: Counselling is the means by which one person helps another through purposeful conversation.

Critical Incidents: The critical incidents technique can be defined as a set of procedures for systematically identifying behaviours that contribute to success or failure of individuals or organisations in specific situations.

Interview: An interview is a conversation between two or more people where questions are asked by the interviewer to elicit facts or statements from the interviewee.

Job Satisfaction: Job satisfaction refers to one's feeling towards one's job.

Leaders: A person or thing that holds a dominant or superior position within its field, and is able to exercise a high degree of control or influence over others.

Leadership: Leadership is a process by which an executive can direct, guide and influence the behaviour and work of others towards accomplishment of specific goals in a given situation.

Notes

Management: The activities associated with running a company, such as controlling, leading, monitoring, organizing, and planning.

Manager: A manager is a person who oversees employees or departments in a business.

Planning: Planning (also called forethought) is the process of thinking about and organizing the activities required to achieve a desired goal.

Quality of Work Life: Quality of work life can be defined as the environment at the work place provided to the people on the job.

Rating Scale: A rating scale is a set of categories designed to elicit information about a quantitative or a qualitative attribute.

Traits: A trait is an element of personality that is relatively stable throughout the life-span and across contexts.

Transactional Leadership Style: This leadership style starts with the idea that team members agree to obey their leader when they accept a job.

14.8 Review Questions

1. "Leadership is often regarded as the important modifier of organizational behaviour." Elucidate.

2. Discuss the characteristics and traits of leadership.

3. Highlight the skills required by the leader.

4. Describe various styles of leadership.

5. How leadership is different from management?

6. Explain the "Great Man" theories of leadership.

7. Describe Fiedler's contingency theory.

8. What is managerial grid?

9. Discuss the importance of job satisfaction.

10. Comment on the factors of job satisfaction.

11. What are the different methods for measuring job satisfaction?

12. Define Quality of work life.

13. Highlight the principles of QWL.

14. Throw some light on the techniques of QWL.

15. Discuss the measures to improve QWL.

Answers: Self Assessment

1.	True	2.	True
3.	False	4.	Great man
5.	Contingency	6.	Situational
7.	False	8.	True

9.   False

10.   Survey

11.   Monitoring

12.   Tendency or Inclination

13.   True

14.   False

15.   False

14.9 Further Readings

Books

Aswathappa, K. (2007), "*Human Resource and Personnel Management*, Tata McGraw Hill.

Bhattacharyya, D. K. (2006), *Human Resource Management*, Excel Books.

Mathis, Robert L & Jackson, John H. (2007), *Human Resource Management,* Thomson.

Rao, P. L. (2004), *Comprehensive Human Resource Management*, Excel Books.

Rao, VSP (2005), *Human Resource Management,* Excel Books.

Online links

http://www.indiastudychannel.com/resources/72124-The-techniques-measurement-job-satisfaction.aspx

http://www.wisegeek.com/what-are-the-different-methods-of-measuring-job-satisfaction.htm

http://www.ehow.com/list_6554568_different-used-measure-employee-morale.html

http://smallbusiness.chron.com/explanation-different-methods-used-measure-employee-morale-2895.html

http://www.entrepreneur.com/article/204248

http://www.bayt.com/en/career-article-1621/

http://www.whitestag.org/skills/

http://www.mindtools.com/pages/article/newLDR_84.htm

http://www.managementstudyguide.com/trait-theory-of-leadership.htm

http://shodhganga.inflibnet.ac.in/bitstream/10603/2009/12/12_chapter%20iv.pdf

http://sanjeevhimachali.blogspot.in/2011/03/job-satisfaction-interpreted.html