

HUMAN RESOURCE MANAGEMENT

(FOR PRIVATE CIRCULATION ONLY)

2019

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PREFACE

Human Resource Management deals with a wide variety of topics such as Manpower Planning, Human Resource Planning, Performance Appraisal, Performance Counseling, Potential Appraisal, Succession Planning, Career Planning, Training and Development, etc.

These topics are very important from the point of view of development of employees in an organisation. The subject has assumed importance as businesses face competition arising out of globalisation and liberalisation.

This SLM on “Human Resource Management” is written in a very simple language to enable the students to learn the basics.

I hope that the students will make maximum use of the topics discussed in this SLM and enrich their knowledge for the future growth and development of their careers.

Prof. P. A. Noronha

ABOUT THE AUTHOR

Prof. P. A. Noronha is a visiting professor in most of the reputed Management Institutes in Pune. He is actively associated with Institutes like SIBM, SIMS, IIMM, SCM HRD and Symbiosis and ILS Law Colleges. He is actively connected with the academic activities of the University of Pune. He has a rich experience of about 35 years in the industry mostly in the area of Human Resource Management and Law.

He has been awarded the National Runner-up Award in 1996 for his presentation on Industrial Relations at the National Convention conducted by the National Productivity Council and Commissioner of Labour, Andhra Pradesh.

Based on his practical and academic experience and the current Industrial scenario, the author has made every effort to update the information which will surely be useful to students of management.

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Nature of Human Resource Management

UNIT

1

Structure:



- 1.1 Introduction
- 1.2 Human Resource Management
 - 1.2.1 Scope and Goals of Human Resource Management
 - 1.2.2 Roles / Functions of Human Resource Management
 - 1.2.3 Principles of Human Resource Management
- 1.3 Human Resource Development
 - 1.3.1 Definitions
 - 1.3.2 Nature and Scope of Human Resource Development
 - 1.3.3 Importance of Human Resource Development
 - 1.3.4 Human Resource Development in India
- 1.4 Problems and Solutions related to Human Resource Practices

Summary

Keywords

Self-Assessment Questions

Answers to Check your Progress

Suggested Reading



Objectives

After going through this unit, you will be able to:

- Explain the concepts of human resource development and human resource management
- Describe the importance of human resource development
- Identify the problems affecting human resource development in India
- Analyse the measures to improve human resource development in India

1.1 INTRODUCTION

The concept of Human Resource Management (HRM) has started gaining prominence and focus in management during the last two decades. Human resource is considered the center of all development processes of the economy. While HRM has been known from ages, its rediscovery has been necessitated by the deteriorating social conditions, increased competition and rapid technological advancement. By putting the mind capabilities to the proper use, this single inexhaustible resource, i.e. human resource, will help in finding solutions to the social and material problems faced by mankind.

1.2 HUMAN RESOURCE MANAGEMENT

Human Resource Management is the planning, organizing, directing and controlling the operative functions of procurement, development, compensation and maintenance of human resource in order to achieve an organization's goals or objectives. It is responsible for getting the best people, training them and providing mechanism to ensure that these employees maintain their productive affiliations with the organizations.

1.2.1 Scope and Goals of Human Resource Management

Human Resource Management is concerned with the 'people' dimensions of the organizations. The organizational objectives can be best attained by acquiring human resource, developing their skills, motivating them for high performance and ensuring that they continue to maintain their commitment and loyalty towards the organization.

The scope of Human Resource Management is vast. It covers all the activities in the working life of an employee. The activities that come under the purview of Human Resource Management are:

- Human Resource Planning:** This element involves determining the organization's human resource needs, strategies and philosophies. It involves analysis of the internal and external factors such as skills needed, number of vacancies, trends in the labour market etc.

- b) **Recruitment and Selection:** Recruitment is concerned with developing a pool of candidates in line with the human resource plan. Selection is the process of matching people and their career needs and capabilities with the jobs and career paths. It ends with the ultimate hiring of a candidate.
- c) **Training and Development:** This involves identification of individual potentialities and helping in the development of key competencies through a planned learning process. The competencies are to be developed to enable individuals to perform current as well as future jobs.
- d) **Organizational Development:** This element assures healthy inter and intra-unit relationships. It helps work groups in initiating and managing change.
- e) **Career Development:** It ensures an alignment of the management requirements with individual requirements. It is a process of achieving an match of individual and organizational needs.
- f) **Job Design:** This element defines the tasks, authority and systems of a job. It also ensures integration of individual jobs across the unit.
- g) **Performance Management Systems:** The performance management systems ensure linkages between individual and organizational goals. They aim at ensuring that every individual's efforts and actions support the goals of the organization.
- h) **Compensation and Benefits:** This element focuses on a fair, consistent and equitable compensation and benefits to the work force.
- i) **Employee Assistance:** The focus of this element is to provide problem-solving / counseling to individual employees. The purpose is to help employees in overcoming personal and job-related problems.
- j) **Labour Relations:** This variable assures healthy union-organization relationship. It aims at creating an environment of industrial peace and harmony.
- k) **HR Research and Information Systems and Audit:** This element ensures a reliable HR information base. It not only evaluates personnel policies and programmes but also highlights the need and areas of change.

1.2.2 Roles / Functions of Human Resource Management

Human Resource Management aims at bringing together expertise and skills in a scientific way. It helps in creating attitudes that motivate a group to achieve the organizational goals effectively and economically.

The basic functions of human resource management include:

- a) **Inception function:** This function deals with recruitment and selection of human resource. It involves identification of skills, knowledge and abilities in an applicant. It facilitates fixation of performance standards, pay rates and invoking fair disciplinary action, if any. The focus is on facilitating adjustment to the work environment, attainment of organizational goals

and adherence to the rules and regulations of the department in which the candidate has to work.

- b) **Development function:** This function covers employee training, employee development, organization development and career development. The focus is on assisting employees to acquire better and improved skills for handling current jobs, enriching employees with more productive values, making the organization more adaptive to external influences and designing programmes to assist employees in advancing in their work lives.
- c) **Motivation function:** This function aims at improving performance. This needs proper job designing, adoption of an effective performance appraisal machinery and introduction of a fair and just system of incentives and compensation.
- d) **Maintenance function:** The maintenance function deals with putting in place activities that will help retain productive employees. It involves providing a safe working environment, caring for the well-being of the employees and organizing communication programs. The motive behind organizing communication programmes is to provide information to the employees to vent their frustrations.
- e) **Employment function:** The main thrust of this function is to promote the activities related to the inception function by advertising the job effectively. It is important to note that the function does not deal with hiring decisions. It just co-ordinates the efforts with line management by handling the routine paper work associated with recruitment and selection.
- f) **Training and Development function:** This function is the organization's 'internal change agent'. The focus of this function is to enhance the personal qualities of the employees to improve organizational productivity. This function also counsels the employees and helps them in making a better career choice and in finding ways to achieve the desired goals.
- g) **Compensation and Benefits function:** This is the most difficult function, for it deals with the most objective areas of a subjective field. It is concerned with paying the employees and in administering their benefits package. The pay is based on consideration like skills, job responsibility, efforts and accountability. While deciding the benefits package, stress is laid on employee needs and expectations and the burden these packages create on the financial resources. These considerations often result in a conflict.
- h) **Employee Relations function:** The task before the human resource manager is to solve employee grievances in a non-unionized setting. The function involves enforcement of policies and procedures and permitting a 'wronged employee' a forum to obtain relief. The organization should ensure appropriate disciplinary sanctions.

1.2.3 Principles of Human Resource Management

The success of Human Resource Management depends on the manner in

which HR policies and procedures are framed, implemented and governed. The effectiveness of HR policies depends on the following principles:

- a) **Individualistic approach:** People should be dealt with as individuals. This calls for a clear understanding of what the employees feel about their work assignments, personnel policies and all those decisions that affect their interests.
- b) **Make employees feel worthwhile:** It is important that employees are made to feel that they are valuable to the organization. It is important to consider and respect the employees' feeling of accomplishment, pride and good relations with co-workers and management.
- c) **Fair and just policies:** The policies and practices should be fair and just. It is necessary to give equal opportunities to all the employees. Sanctions should also be applied uniformly.
- d) **Rewards should be earned:** The employees should be informed that they will not be 'given' rewards; instead they should strive hard to 'earn' rewards. In other words, rewards should be performance-based and should not be demanded or given as a matter of right.
- e) **Access to organizational information:** All employees have a right to organizational information as it facilitates timely execution of work. Denying information is similar to creating obstacles in the employees' ways.
- f) **Judge the strength:** The HR manager should judge the strength and intelligence of the employees properly. This is necessary to avoid resentment and frustrations.
- g) **Equal pay for equal work:** All employees should be paid on the basis of equal pay for equal work. This approach has tremendous motivational value.
- h) **Do what you preach:** The leaders should set examples before the subordinates. It is important to remember that actions are louder than words.



Check your Progress 1

Fill in the blanks.

1. Human Resource Management aims at bringing together expertise and skills in a _____.
2. The organizational objectives can be best attained by acquiring human resource, developing their skills; motivating them for _____ and ensuring that they continue to maintain their commitment and loyalty towards the organization.

Notes



Activity 1

Can you think of two ways in which you will motivate your employees to perform better at their job? Describe them.

1.3 HUMAN RESOURCE DEVELOPMENT

Human resource development (HRD) is a part of human resource management. It deals with the all round development of an employee within an organization, his career development, training, counseling, updating him with the latest technology, helping him explore his potential and develop his skills, which would prove beneficial to both the employee and the organization in achieving the organization goals. It also means allocation of resources for the development of the employee.

1.3.1 Definitions

- a) **M.M. Khan:** HRD is the process of increasing knowledge, capabilities and positive work attitudes of all people working at all levels in a business undertaking.
- b) **Prof. Len Nadler:** 'HRD' is an organized learning experience within a given period of time with the objective of producing the possibility of performance change.
- c) **Schlem:** HRD is matching the organizations need for human resource with the individual need for personal career growth and development.

1.3.2 Nature and Scope of Human Resource Development

The dynamic environment in which an organization functions demands regular updating of job requirements. This is necessary to ensure a continuous flow of qualified persons for the changed job. Its scope can be understood with reference to the following points:

- a) HRD is a system made up of mutually dependent parts. Therefore, the design of the system cannot be considered in isolation. It must take into account its linkage with the other parts of the organization.
- b) HRD is a proactive function. Its function is not merely to cope with the needs of the organization, but to anticipate them and to act on them in advance in a continuous and planned way.
- c) HRD aims at developing the capabilities of all line managers so that they can gradually handle functions like industrial relations, rewards and punishment, performance appraisal etc.
- d) HRD emphasis is on building the right work culture in the organization. The work culture should identify, nurture and use the capabilities of the people.

- e) HRD emphasises the need to motivate people a lot. It considers informal organization, job enrichment, participative management etc. as motivating forces.
- f) HRD considers that the better utilization of human resource leads to improved performance. This in turn results in improved job satisfaction and morale.

It would not be wrong to say that HRD has given us a diagnostic and problem-solving capability and more committed work force.

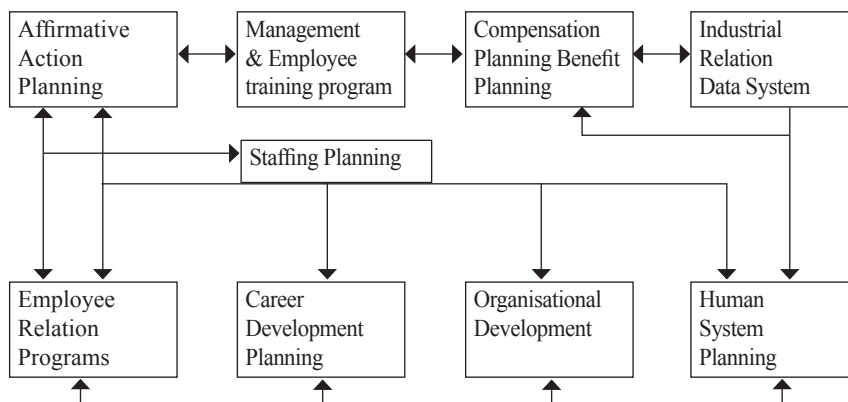


Fig 1.2: Scope of HRD

1.3.3 Importance of Human Resource Development

HRD is a system of introducing changes in the work culture and work environment without dislocating the functioning of the organisation. The following points highlight its importance:

- a) **Competent employees:** HRD helps in making people aware of the skills required for job performance. There is greater clarity of work norms and standards. This results in a more competent work force.
- b) **Role clarity:** HRD encourages communication between work-teams. People not only understand their roles better but also become aware of the expectations of the other members of the team.
- c) **Committed work force:** People become more committed to the jobs because rewards are administered more objectively through the HRD process.
- d) **Greater trust and respect:** By encouraging communication, HRD helps in developing greater trust and respect for each other. Employees become more open and authentic and new values can be generated easily.
- e) **Synergy effect:** Effective communication, participative management and stress on teamwork produce synergy effect within the organization.
- f) **Breaks resistance to change:** HRD makes people better equipped with problem-solving capabilities. This not only makes them proactive but also brings readiness on their part to accept change.

- g) **Facilitates HRP:** HRD generates a lot of useful and objective data on employees that facilitates human resource planning.
- h) **Other benefits:** The overall impact of HRD is observed in terms of higher productivity, cost effectiveness, growth expansion, diversification and increased profits.

1.3.4 Human Resource Development in India

HR holds a key position in any scheme of development because the development process is the sum total of our productive efforts, guided, managed and executed through our human resource. India has realized the importance of HRD and vigorous efforts are on to break the shackles of all economic and social constraints through the application of the HRD concept and practices.

Today, HR is the only factor that can facilitate effective use of science and technology. If India needs to develop, she has to attain the goal of moulding HR in the right perspective. HRD helps in incorporating high levels of skills and knowledge. This not only leads to improvement of the quality of the product but also reduction of cost of production. HRD approach will assist in evolving policies that will be useful in generating job satisfaction, career development opportunities and in alleviating the sense of frustration among the human beings. Many organisations in India have started implementing HRD programmes. The objectives of HRD cannot be achieved without an effective HRM system.

Every HRD system developed by an organisation should be based on the following elements of HRM.

- a) Evolving a system of Human Resource Planning.
- b) Selection of the right people for the right job at right time.
- c) Imparting proper training based on the principle of learning, teaching basic work skills, and training.
- d) Evolving suitable compensation plan.
- e) Evolving a good performance appraisal system.



Check your Progress 2

State True or False.

1. HRD considers that the better utilization of human resource leads to improved performance.
2. HRD helps in making people aware of the skills required for job Performance.



Activity 2

Name any two organizations you know where Human Resource practices are carried out effectively.

1.4 PROBLEMS AND SOLUTIONS RELATED TO HUMAN RESOURCE PRACTICES

HRD is a relatively young field and there are significant challenges to its future. Failing to acknowledge these challenges will increasingly marginalize HRD within organizations. The tasks seen as central to the HRD profession will be taken on by others who work in professions more focused on delivering and measuring outcomes, thinking and working systemically, with a sounder theoretical base, with clear standards and ethical codes, with stronger professional bodies and competent practitioners.

Problems

There are many problems faced by organisations as regards HRD practices. Those are divided into:

a) Organizational Problems:

- i) The top management often presumes that sending the managers for the HRD programmes will automatically improve their performance. This is not the fact.
- ii) The line managers do not show interest in developing human resource. They argue that developing human resource is the duty of the HRD department. This feeling is a hurdle in the process of HRD.
- iii) HRD receives only verbal and shallow compliments because of the heavy expenditure involved in the development process. Lack of genuine support makes the HRD programmes futile.
- iv) Organisations transfer administrative and industrial relations managers/ staff to HRD department without adequate training. This adversely affects the HRD programmes because the badly needed 'human touch' is missing.

b) General Problems:

- i) The HRD programmes fail due to poverty, social injustice, low quality education and illiteracy. The required talents and intelligence should not be expected to be easily available when people have to live hand to mouth.
- ii) The development of HR in India is also made difficult by the high fertility rate, poor health conditions and sexual discrimination and inter group intolerance.

Notes

- iii) The high population growth adversely affects the qualitative and quantitative dimensions of HRD programmes. Added to this are issues like high dependent population and unemployment. This results in low per capita income, low savings and low investments. The downward shift in human resource status variables like health, education etc. thus becomes inevitable.
- iv) The unscrupulous attitude of our politicians also impairs the moral fear and behavior of HR in India. The politicians also influence the organisations and trade unions to act irrationally. The workers, under the influence of such people, do not show keen interest in developing their skills and talent.
- v) The differences in the religious faiths among the people is another hurdle in the HRD. Religious conflicts hinder the development of HR in India.
- vi) The widening gap between haves and have nots is also a hurdle in HRD. One cannot be expected to listen and follow HRD practices when he is not able to meet his ends. The words of Pandit Nehru are very appropriate to this situation. He said 'You cannot teach philosophy to a hungry man.'
- vii) Indians have a strong faith in the traditional methods, which are linked with their religious philosophies. This generates a strong resistance to change and impairs the HRD process.

Suggestions to overcome human resource development problems in India

There are various **problems facing the human resources manager** in his/her execution of the duties. The first problem is how to manage change that accompanies globalization. Many people are conservative and do not like changes though they are inevitable. Managing and adopting these changes becomes a challenge especially to the HR manager since the organizational management may not support and embrace the changes.

a) **Organizational measures:**

- i) The top management should develop positive strategies for change together with systematic training. Systems and sub-systems of HRD should be incorporated in the organizational set up to make achievement of goals easier.
- ii) The role of line managers in HRD cannot be underestimated. To attain success in HRD programmes, the top management should therefore create a feeling that every line manager is a human resource.
- iii) The expenditure on HRD should be treated as an investment. This will help in implementing the HRD programme at the right time and in the right manner.

- iv) The organizational bosses should lay stress on recruiting people with adequate knowledge of human psychology as HRD managers. Transferring managers from other departments should be avoided so as to produce good results.
- v) Managers/employees showing positive results should be adequately rewarded and should be given opportunities of career development. This approach will infuse confidence in their minds and will make HRD programmes successful.

b) General Measures:

- i) The government should take all possible steps to alleviate poverty and accelerate economic development because HR is possible only when people are free from poverty.
- ii) The population control measures should be made sterner. At the same time, the masses in rural areas should be educated about the evils of higher rate of population increase.
- iii) People should be motivated towards healthy politics and political thought. The masses should be encouraged and guided to choose the right leaders. The legal machinery should be geared up to eliminate corrupt practices. A clean political environment is essential for developing human resource.
- iv) People should be encouraged to practice religious tolerance. Politicians should be refrained from intervening in people's religious matters. This will help in creating a healthy environment for the development of human resource.
- v) Suitable measures to ward off the feeling of resistance to change should be taken. Advocating the merits of modernization is indispensable. If people accept change willingly, the process of HRD will generate better results.



Check your Progress 3

Fill in the blanks.

1. There are two problems faced by the organizations as regards HRD practices organizational problems and _____.



Activity 3

As the Personnel Manager of your organisation, write down two innovative human resource practices that you will implement in your organisation.

Notes



- Human resources, i.e. the talents and abilities of people, if properly channelized, can find a solution to the social and material problems faced by mankind. Human resource development is important to develop a more competent and committed work force and to build the right work culture in the organisation.
- If India has to develop, it is important to adopt the human resource development practices. Lack of genuine support, interest and sincerity in the organisation create problems in implementing the human resource development practices. General problems as poverty, population explosion, illiteracy, high fertility rate, sexual discrimination etc. hinder effective implementation of human resource development practices.
- The government must take all possible steps to control the social problems in order to make the human resource development practices effective. The top management should develop positive strategies for change together with systematic training. The expenditure on human resource development should be treated as an investment.
- Human resource management deals with 'people' dimension of the organisation. The organizational objectives can be best attained by acquiring human resources, developing their skills, motivating them for high performance and retaining them in the organisation.
- The basic functions of human resource management include inception, development, motivation, maintenance, employment, training and development, compensation and benefits and employee relations functions. Human resource planning is a subsystem of human resource management.



Keywords

- **Human Resource Development:** It includes the efforts to develop the human resources i.e. the strengths, talents, capabilities of the employees so that they achieve the organisational goals as well as attain better job satisfaction and adjustment to the work culture.
- **Human Resource Management:** It involves procedures and practices through which human resources are managed, i.e. organized and directed towards the attainment of the individual, social and organisational goals



Self-Assessment Questions

1. Explain the scope of Human Resource Management.
2. What are the basic functions of Human Resource Management?
3. What is the importance of Human Resource Planning?
4. Explain any four limitations of Human Resource Planning.

Answers to Check your Progress

Check your Progress 1

Fill in the blanks.

1. Human Resource Management aims at bringing together expertise and skills in a scientific way.
2. The organizational objectives can be best attained by acquiring human resource, developing their skills; motivating them for high performance and ensuring that they continue to maintain their commitment and loyalty towards the organization.

Check your Progress 2

State True or False.

1. True
2. True

Check your Progress 3

Fill in the blanks.

1. There are two problems faced by the organizations as regards HRD practices organizational problems and general problems.



Suggested Reading

1. Aswathappa, K. *Human Resource and Personnel Management, Text and Cases*.
2. Memoria C.D., S.V. Gankar. *A Textbook of Human Resource Management*.
3. Subbarao, P. *Personnel and Human Resource Management, Text and Cases*.

Notes

Notes

Human Resource Planning

UNIT

2

Structure:



- 2.1 Introduction
- 2.2 Human Resource Planning
 - 2.2.1 Aspects of Human Resource Planning
 - 2.2.2 Need and Importance of Human Resource Planning
 - 2.2.3 Prerequisites of Human Resource Planning
 - 2.2.4 Factors affecting Human Resource Planning
 - 2.2.5 Limitations of Human Resource Planning
- 2.3 Process of Human Resource Planning
 - 2.3.1 Steps
 - 2.3.2 Planning Job Requirements and Descriptions
 - 2.3.3 Skills Analysis
 - 2.3.4 Selecting Adequate Sources of Recruitment
- 2.4 Attrition
 - 2.4.1 Reasons
 - 2.4.2 Impact of Employee Attrition
 - 2.4.3 Attrition Rates around the World
 - 2.4.4 Attrition in Different Industries
 - 2.4.5 Battling Attrition

Summary

Keywords

Self-Assessment Questions

Answers to Check your Progress

Suggested Reading



Objectives

After going through this unit, you will be able to:

- Define human resource planning
- Explain the role of human resource planning in the organisations
- Describe the features of human resource planning
- Explain the process of attrition

2.1 INTRODUCTION

Human resource planning entails projecting future manpower requirements and developing manpower plans for the implementation of the future projections. Through human resource planning, a management strives to have the right number and the right kind of people at the right places at the right time.

Human resource planning is one of the most important dimensions of Human Resource Development.

2.2 HUMAN RESOURCE PLANNING

The actual HRM process starts with the estimation of the number and the type of people needed. The HRM process never stops; it is an ongoing process that tries to keep the organization supplied with the right people in the right positions at the right time. Human resource planning is a sub-system of this process.

Definitions of Human Resource Planning

Some definitions, uses and benefits of Human Resource Planning are discussed below.

- a) **Leap and Crine:** “HRP includes the estimation of how many qualified people are necessary to carry out the assigned activities, how many people will be available, and what, if anything, must be done to ensure that personnel supply equals personnel demand at the appropriate point in the future”.
- b) **De Cenzo and Robbins:** “HRP is the process by which an organization ensures that it has the right number and kinds of people, at the right place, at the right time, capable of effectively and efficiently completing those tasks that will help the organization achieve its overall objectives”.
- c) **Stoner and Freeman:** “HRP is planning for the future personnel needs of an organization, taking into account both internal activities and factors in the external environment”.

- d) **Gordon McBeath:** “Human Resource Planning is concerned with two things: planning of manpower requirements and planning of manpower supplies.”
- e) **E.W. Vetter:** “Human Resource Planning is the process by which Management determines how the organisation should move from its current manpower position to desired manpower position.”

2.2.1 Aspects of Human Resource Planning

Human Resource planning has four basic aspects:

- a) Planning for future needs by deciding how many people with what skills the organization will need.
- b) Planning for future balance by comparing the number of employees needed to the number of present employees who can be expected to stay with the organization.
- c) Planning for recruiting employees if the number needed exceeds the number of present employees or laying-off employees if the number needed is less than the number of present employees.
- d) Planning for the development of employees, to be sure the organization has a steady supply of experienced and capable personnel.

2.2.2 Need and Importance of Human Resource Planning

Human Resource Planning is a process to determine future staffing needs by analyzing organization future business plan and in consideration of employee turnover within the organization. Through planning process, a management strives to have right number of workforce and the right kinds of people at the right locations, at right time in order to fulfill the obligations for the benefit of organization as well as individual. The need and importance of Human Resource Planning are as follows:

- a) **Future manpower requirements:** Human Resource planning helps in determining the future manpower requirements. In the absence of proper planning, an organization may face problems related to overstaffing and under-staffing. This can be avoided through HRP.
- b) **Adjusting to change:** Factors such as competition, technology, government policies, etc. generate changes in job contents, skill requirements, number and type of personnel etc. Such changes can be effectively tackled through HRP.
- c) **Creating talented personnel:** The present day’s jobs are becoming more complex and therefore demand exceptional intellectual skills. While the existing staff becomes redundant, the HR manager has to attract and retain qualified and skilled personnel. He is also required to deal with issues such as career development, succession planning, etc. HRP is an answer to all such questions.
- d) **Protection of weaker sections:** An HR manager has to ensure that sufficient representation is given to candidates from weaker sections,

physically handicapped and socially and politically oppressed citizens. A proper and realistic human resource plan is needed to ensure equal employment and promotional appointments to such groups.

- e) **Execution of personnel functions:** HRP provides valuable and timely information for designing and execution of personnel functions like recruitment, selection, transfers, promotions, layoffs, training and development and performance appraisal.
- f) **Human assets:** Every organization makes heavy investment in its human resource. This calls for effective use of the available skills and abilities. In the light of this increasing investment in human resource, HRP becomes indispensable.
- g) **Breaking the resistance to change:** It is a known fact that the employees resist change. The resistance is due to family attachments, fear of failure to cope with new jobs, new environment etc. The organization can no longer move its employees anywhere and anytime it wants. The only way out of this problem is planning.
- h) **Reduction in personnel costs:** HRP helps the organization to anticipate imbalances in HR. This, in turn, facilitates reduction in personnel costs.
- i) **Managerial development:** HRP facilitates planning for future needs. This helps in better planning of assignments to develop managers and to ensure that the organization has a steady supply of experienced and skilled employees.
- j) **International strategies:** Global operations are becoming very common. International expansion strategies are not possible without HRP. It facilitates the process of meeting staffing needs.



Check your Progress 1

Fill in the blanks.

1. Human Resource planning is concerned with the planning of Manpower _____ and _____.
2. Forecasting of long-term manpower requirement helps the organisations to forecast the _____ costs involved.
3. At national level, Human Resource Planning is concerned with factors such as _____, economic development, provision of facilities for education and _____ mobility.

Multiple Choice Single Response.

1. Human resource inventory means
 - i. Encouraging existing employees rather than hiring new people for higher appointments.
 - ii. Evaluating the expected loss situation for a period of five years.
 - iii. Database of the existing personnel to compare what exists in stock with what can be expected in stock at future dates.
 - iv. Identifying suitable source of recruitment.
2. One of the limitations of Human Resource Planning is
 - i. It is easy to predict long range forecasts accurately.
 - ii. Changes in economic condition and technology in future tend to make long-range forecasts unreliable.
 - iii. It is difficult to predict short-range forecasts.
 - iv. The company's short-range sales expansion forecast.

**Activity 1**

Write down two benefits of human resource planning that you have observed in your organisation.

2.2.3 Prerequisites of Human Resource Planning

The four methods generally used to determine the requirements of personnel are:

- 1) Annual estimate of vacancies
- 2) Long-range estimates of vacancies
- 3) Fixed minimum man specification requirements
- 4) Specific position estimations

Annually, the top management team and the directors must examine their organisation structure and its adequacy for the assigned functions as well as its adaptability for changes anticipated in the near future. This analysis or audit includes a review of the current vacancies and probable future changes in the organization's personnel.

For example, adequate forecasts of organizational changes can indicate the number of executive positions, which will have to be filled as well as the duties and responsibilities for such positions. From this can be ascertained the nature of training and development required for the existing staff to fit these positions adequately. A crystallization of the future job requirements can help

selection of persons who should participate in the management development programme. In this way, manpower planning is helpful in both the selection and developmental activities. It ensures that adequate persons are selected well in advance so that they may be developed for the anticipated position openings to ensure a smooth growth of the organisation.



Check your Progress 2

State True or False.

1. Adequate forecasts of organizational changes cannot indicate the number of executive positions which will have to be filled as well as the duties and responsibilities for such positions.
2. A crystallization of the future job requirements can help selection of persons who should participate in the management development programme.
3. Manpower planning is helpful in both the selection and developmental activities.

2.2.4 Factors affecting Human Resource Planning

Human Resource planning is a dynamic and on-going process. This is because an organization operates in unstable and unpredictable environment. HRP needs constant updating to effectively meet the changing strategies and objectives. The process of updating is not very simple, since HRP is influenced by many factors. These are:

- a) **Type of organization:** The type of organization determines the production process and number and type of staff needed. Manufacturing organizations have a more complex structure compared to service organization. It goes without saying that the HRP differs according to the nature of the organization.
- b) **Strategy of organization:** The human resource needs of an organization depend on the strategic plan adopted by it. For example, growth of the business calls for hiring of additional labour, while mergers will need a plan for layoffs.
- c) **Environmental uncertainties:** Organizations operate under changing political, social and economic conditions. The environmental changes demand carefully formulated HR policies. The HR manager has to evolve a suitable mechanism to deal with uncertainties through career development, succession planning, retirement schemes etc.
- d) **Time period:** Human Resource Planning also depends on the time period and accordingly, short-term or long-term plans are adopted. The time span is based on the degree of environmental uncertainties. For example, an organization operating in an unstable environment must adopt short-term plans, while an organization operating under a fairly stable environment can adopt long-term plans.

- e) **Information:** The type and quality of information used in making forecasts is an important factor influencing Human Resource Planning. In the absence of a well-developed information mechanism, Human Resource Planning is just impossible. Accurate and timely human resource information system helps in getting better quality personnel.
- f) **Nature of jobs being filled:** Job vacancies are very common and arise due to promotions, retirements, termination of services, growth, expansion etc. HRP is required to ensure that suitable candidates are recruited.
- g) **Off-loading:** This implies giving part of the organization's work to outside parties. If an organization prefers off-loading to recruitment of more people, Human Resource Planning is not required.

2.2.5 Limitations of Human Resource Planning

Human Resource planning suffers from the following limitations:

- a) It is very difficult to ascertain the future manpower requirements of an organization, as the future is always uncertain. As such, the predictions are bound to go wrong.
- b) Human Resource Planning is more relevant in countries that face scarcity of human resource. In a country like India, Human Resource Planning is of little assistance since manpower is available in abundance. Also the legal compulsions render Human Resource Planning redundant.
- c) Human Resource Planning is a time-consuming and costly process. The recruitment and selection process takes time and requires expert services. All this can add to the cost.
- d) Human Resource Planning is beneficial in organizations that adopt a professional approach and at the same time are conscious about the changing environment. Traditional business houses often adopt a very indifferent approach towards environmental changes. This limits the scope of Human Resource Planning.
- e) Human Resource Planning is beneficial where adequate skilled manpower is available. In cases where skilled manpower is not easily available, Human Resource Planning serves no purpose.
- f) Human Resource Planning is also made difficult in organizations that have a very high labour turnover. In such organizations, estimating the manpower requirements is a Herculean task. While predicting the retirement is easier, it is difficult to determine voluntary quits, prolonged illnesses and deaths. This restricts the scope of Human Resource Planning.

2.3 PROCESS OF HUMAN RESOURCE PLANNING

Human resource planning is a very important tool of human resource management. Hence it is very important to follow proper steps in the planning process. Some of the important steps involved in HR planning are discussed below.

Notes

2.3.1 Steps

The need to anticipate and provide for future manpower requirements has made manpower planning a vital function today in the area of staffing or the personnel function. In large organisations, where a personnel department exists, this function is naturally performed by such department as a staff function. Systematic manpower planning has not yet become really popular even in advanced countries such as USA and UK; it is being practiced there only by a few huge companies in large scale industries such as petroleum and chemicals. Manpower planning can basically be done by following these three steps:

- a) **First Step:** Determine the period for forecasting requirements of manpower in the future (i.e. requirements at the end of the first year, second year, third year, fourth year, fifth year etc.) and forecast the manpower required at the end of such period.
- b) **Second Step:** From the number available at the commencement of the period, deduct the expected wastage through deaths, resignations, retirements and discharges. This would give the manpower available from existing staff at the end of the period concerned. A comparison of the figures arrived at in steps first and second would indicate shortages or surpluses in manpower requirements.
- c) **Third Step:** The third step deals with shortages and surpluses.
 - In case of shortages, decide how such shortages are to be met (i.e. whether through fresh recruitment and/or promotions from within) and whether any training or developmental facilities would be required for this purpose.
 - If surpluses are anticipated, decide how these surpluses will be dealt with, e.g. through early retirements, discharges, or layoffs.

Human resource planning thus seeks to ensure that the required personnel possessing the necessary skills are available at the right time. As the eminent management professional Dr. Ram Tarneja emphasises, “Management can ensure control of labour costs by avoiding both shortages and surpluses of manpower through proper manpower planning.” He stresses that under-estimation either regarding quality or quantity of manpower requirements would lead to shortfalls of performance, whilst over-estimation would result in avoidable costs to the organisation. Whilst agreeing that it is necessary to project deep into the future for skills that would require longer periods of training, he warns that if the periods selected are too long, manpower forecasts are likely to be less accurate in view of the inability to predict effectively the likely changes in the economic, social and technological spheres.

With this caution in mind, forecasts can be made for a short-term up to two years, medium-term for periods of 3-5 years and long-term for periods longer than 5 years. However, a reasonable degree of accuracy can only be expected in case of short-term forecasts up to 2 years. Even such forecast should be periodically reviewed and readjusted.

Caselet: Human Resource Planning at Larsen & Toubro Ltd.

In this company, there is no sophisticated or detailed manpower planning done covering the current and future needs of the entire organization. Alternatively, different units of the organization are asked to present annually their manpower requirements for the properly trained and developed personnel to take care of changing technology and the future needs of the company.

2.3.2 Planning Job Requirements and Descriptions

i) Job requirements

An important step in human resource planning is planning job requirements. The requirements of a particular job must be clearly delineated through a minute study of the duties to be performed in that job. A job analysis has first to be made to secure the relevant information about the job.

Job information thus becomes the basis of many management activities. For instance, without it, recruitment would be almost impossible; training would have no goal and salary no basis. It is therefore, necessary to collect the important parts of a job, which identify it and distinguish it from other jobs. Job information helps in many ways and more particularly for the following:

- **Adequate recruitment:** The recruitment officer is required to know clearly the type of person that has to be recruited. This information could be gathered from the job description and man specification.
- **Adequate training:** It is necessary for the training manager to know the job's skills, which have to be learned by the employee recruited.
- **Adequate salary structures:** Job descriptions are necessary for determining job-grading structures appropriately stating the job value relationship internally.
- **Fair appraisals:** Performance appraisals cannot be fair, unless the appraiser is clear in his mind about the job requirements.

ii) Job descriptions

A job description can be defined as a written record of the duties, responsibilities and conditions of the job. The methods that generally provide the required data are:

- Observation of employees while performing their work
- A study of specially maintained diaries
- A review of critical incidents
- Discussions with departmental head and/or supervisor
- Discussion with outside consultants and experts

2.3.3 Skills Analysis

The skills required in different jobs must be analysed in terms of the job description following the job analysis. As the aspect of management skills is more difficult, it will be dealt with in some detail.

a) The Basic Managerial Skills

Every manager must thus have certain basic skills. These can be summarized briefly as follows:

1. To plan operations, delegate duties appropriately to his subordinates, and coordinate their work on a day-to-day as well as long-range basis to reach his unit's objectives.
2. To appreciate the changing conditions and trends affecting the work of his unit and the services it should render.
3. To select appropriate personnel for specific assignments.
4. To direct the work of his immediate subordinates, which requires the ability to understand their work thoroughly and guide them.
5. To stimulate, motivate and lead his subordinates with a view to secure their interest and willing participation towards achieving the common goals of the unit and the enterprise.
6. To supervise, follow up, and appraise the performance of his subordinates.
7. To interview subordinates, obtain information from them and get them to express their interests and attitudes.
8. To keep his subordinates and superiors informed regarding the work of his unit.
9. To develop his subordinates through better efforts.

The skills required of an executive can also be classified into technical, human and conceptual as follows:

- **Technical skill:** To accomplish the mechanics of the particular job.
- **Human skill:** To build team spirit as a leader.
- **Conceptual skill:** To recognize the interrelationships involved in his situation to enable him to achieve maximum good for the total organization.

b) Desirable Managerial Skills

Now let us see what skills are desirable in managers.

Collier views a manager as one who can perceive the enterprise in its total complexity, the ultimate values being the ability to integrate viewpoints, the capacity to adapt to change and the ability to go beyond the normal value structure (such as personal responsibility, organisational skills, desire for objective and people centered approach.)

The managerial abilities required can also be viewed from the differing emphasis placed on them by various schools of management thought. According to the management science group, managers are perceived as decision makers. They must therefore be able to use mathematical models and computers to help them arrive at optimum decisions. The behavioral scientists emphasize the leadership and motivation ability of the manager. They stress personal and

interpersonal behaviour. According to them, the final emphasis must be placed on the abilities of a manager as a decision-maker, based on his value system. However, briefly the skills required for successful executives can be divided into four types: (i) decision making skills, (ii) leadership skills, (iii) communication skills and (iv) organisational and social skills.

- **Decision-making skills:** Whilst managing, every executive makes several decisions. The effectiveness of his decision naturally depends on his mental and analytical ability. He must be able to consider the various alternative courses of action available in a problem and weigh the possible outcomes of such alternatives with a view to select the optimum alternative. A manager having a mathematical background can use mathematical concepts and techniques as an aid to his decision-making activity. It is however possible to go overboard in the use of such quantitative techniques. It must be remembered that the decisions generally involve human beings whose attitudes cannot be easily quantified. Decisiveness is more important than a scientific approach and over-emphasis placed through a questioning attitude can lead to indecisiveness.
- **Leadership skills:** A good manager generally delegates and gets things done through others. He must therefore possess leadership skills which would enable him to motivate them to do what the leader wants them to do. What is needed most is persuasiveness and vitality so that the manager can provide direction and leadership to his subordinates even in times of difficulties.
- **Communication skills:** As a leader, the manager's decisions have to be communicated to his subordinates. This communication may be oral or written. In fact, an executive often unwittingly communicates through his expressions such as a frown. The ability to communicate effectively can improve the managerial and leadership skills of the individual.
- **Organisational and social skills:** Management problems are viewed by good executives from an organisational perspective. The managers must therefore be able to appreciate the effect of authority, status and informal group norms on employees' behaviour.

2.3.4 Selecting Adequate Sources of Recruitment

After the man specification is prepared, the job content confirmed, the job rate fixed and the recruitment salary range determined, it becomes necessary to consider the source from where such employees will be forthcoming. Basically, these sources can be divided into two: (i) internal, and (ii) external. (For details, see Unit 4).



Check your Progress 3

Multiple Choice Multiple Response.

1. Job information helps in many ways and more particularly for the following-
 - i. Adequate Recruitment
 - ii. Adequate Training
 - iii. Unfair appraisals
 - iv. Adequate salary structures
2. Some of the basic skills required by every manager are-
 - i. To select appropriate and highly skilled personnel for general assignments
 - ii. To supervise, follow up and appraise the performance of his subordinates
 - iii. To develop his subordinates through better efforts
 - iv. To keep his subordinates and superiors informed regarding the work of his unit



Activity 2

1. In the absence of proper Human Resource Planning, an organisation may face many problems. Write down any two problems you think the organisation will face.
2. Write down two problems a Personnel Manager will face while conducting human resource planning.

2.4 ATTRITION

Attrition is a gradual, natural reduction in membership or personnel, as through retirement, resignation or death. It can also be defined as “the unpredictable and uncontrollable, but normal reduction of work force due to resignations, retirements, sickness or death.” This is a natural process in any business or industry.

2.4.1 Reasons

Attrition is the function of demand and supply. The demand comes from the growth of the industry and the policy of the company. These two things decide whether there is a demand for freshers or experienced employees. On the other hand, the supply comes from the educational institutions and the market.

While the supply from the educational institutions is enough to meet the

demands of the industry, there is a lack of experienced people in the industry, which in turn has created an imbalance.

The imbalance is critical to the growth of the industry. While the industry is growing, not all companies are capable of recruiting fresh people and grooming them. Hence, the current status demands experienced people, while shortage of skills or retaining existing employees poses an issue for the industry.

In the current scenario, when the demand of experienced and good employees is actually outstripping the supply, higher salary structures pose another challenge in controlling attrition levels in the industry. Moreover, the salary growth plan is not well defined as well. All this encourages poaching by companies that can offer higher salaries. Compensation levels in the industry are constantly rising. Companies are literally bidding for talent and luring away employees with attractive salaries and designations. Though the salary is decided in line with the market trends, the qualification, experience and the attitude of the individual also matter.

2.4.2 Impact of Employee Attrition

Employee attrition has the following effects on an organisation:

- i) **Cost of re-recruiting:** Costs of advertisement, agency costs, employee referral costs, Internet posting costs etc.
- ii) **Retraining:** Induction programme costs, lodging costs during that period, training material costs and cost of the person who conducts training.
- iii) **Loss of productivity:** As a new employee is learning a new job, company policies etc., they are not fully productive.

2.4.3 Attrition Rates around the World

US	42%
India	18%
Australia	29%
Europe	24%
Global Average	24%

In the current globalized scenario, the employees have the option of not only choosing which company they want to work with, but also which country they want to work in. The average stay of entry-level employees is seen to be between 1.5 - 2 years. With the majority of the work force below the age of 25, retaining talent promises to be a tough battle.

2.4.4 Attrition in Different Industries

Attrition is a universal phenomenon and no industry is devoid of it, but the degree fluctuates from industry to industry.

- **Attrition in BPO Industry**

In an industry expected to employ around 10 million people by the year 2018, attrition can be a major concern. Attrition in the current market hovers

around 40% where even the top firms have a rate about 20%. Odd working hours, other career options, further education are some of the reasons for attrition.

Attrition is higher in the lower level of the BPO chain, which include call centres and reduces as one moves higher (engineering and advisory functions).

- **Attritions in IT Companies**

Contrary to the popular belief that the problem of attrition is present with all companies sector-wise, a survey finding proved otherwise. Based on a news report, techies working for large software services brand appear to be rather loyal to their employers. Wipro, in fact, has reported significant improvement in its attrition rate. In Quarter 1 (Q1), the figure stood at 12.2%, much below the 15.65% it reported in the same period last fiscal and marginally lower than 12.8% in the sequential Q4 FY 05. The volatility in attrition rate seems to be missing, said a Wipro official.

At rival Infosys too, attrition rate has dropped. The rate at 9.8% in Q1 FY 06 is lower to the 11.7% it reported in Q1 last fiscal.

- **Attrition in Pharmaceuticals Sector**

Attrition is a serious issue in the pharmaceutical industry because the industry is knowledge based and hence employees are its “assets”. This year, the pharmaceutical industry witnessed attrition above 20 %.

Major pharmaceutical companies in India are age old and established, having their own culture and work practices and therefore, employees’ turnover will be a common phenomenon in such companies.

According to experts, some of the most talented people often have the tendency to move on. Even after they settle in an organisation and start working on a newly developed compound, they may get more lucrative offers from other companies in need of better employees. These offers are accepted because of their eagerness to move up in their career by shifting from one company to another. They gain or earn only in terms of money but those who opt to work in one organization for long are able to learn and gain experience, which pays in the long term in the pharmaceutical industry.

2.4.5 Battling Attrition

Companies are now adding a human touch to their HR policies to curb the rising attrition rates. Some of the procedures being implemented are:

- No poach agreements:** NPA are signed between companies belonging to the same sector. This can reduce attrition to a large extent.
- Background checks:** Background checks are conducted along with reference checks to see the history of the employee.
- Involvement of families:** Frequent meetings and social gathering are conducted where employees are asked to bring members of their families. This creates a sense of belonging, which can prove to be more precious than monetary benefits.

- iv. **Cutting down of freebies:** Employees are set challenging objectives, on the achievement of which are given rewards such as bonuses, vacations offers etc. education opportunities can be offered to employees to pursue higher education. On the successful completion of the course, the fees incurred by the employee can be refunded over a period of time. According to Koustuv Mitra, Senior Director, HR Convergys, all employees have the option to pursue online courses.
- v. **Work culture:** The culture difference between the western countries and India has to be considered and necessary changes should be made to make employees comfortable in the present work culture. Work environment has to be region specific, in terms of holidays, timings, weekly offs, celebrations etc.
- vi. **Employee branding:** Looking from an HR perspective, the company needs to transit from being only customer-centric to being employee- and customer-centric. Each employee needs to be treated with the same respect given to customers. This holds valid because indirectly, the employees create value to be given to customers.
- vii. **A sense of belonging:** Organisations need to instill a sense of belonging in the employees. Often a small token from the management can motivate employees to achieve higher. Microsoft and all major companies have awards such as “Employee of the Month”.
- viii. **Performance based incentives:** One of the major reasons of attrition is the high compensation packages offered by the competitors. In an attempt to encounter this, the company can follow a performance based monetary incentive scheme. Each employee is rewarded for any innovative ideas as well as for achievement of targets.
- ix. **Job enrichment:** Employees should be given challenging work. A dull, monotonous job can lead to high attrition. Employees who complete the work successfully and obtain the marked objective should be rewarded.
- x. **Equity Stock Option Plans (ESOP):** An employee stock option is a call option on the common stock of a company, granted by the company to an employee as part of the employee’s remuneration package. The objective is to give employees an incentive to behave in ways that will boost the company’s stock price.

A Comprehensive Solution

Attrition rates need to be reduced by answering the two biggest fears of employees in a manner suitable for the employers also. The two biggest reasons for attrition can be identified as compensation and job security. As for the employers, they require efficiency at work and employee retention. The key is to prepare a solution that suits the interests of both the employers and employees. The employees can be assured job security on a life time basis, provided they meet the minimum skill and performance requirements. To ascertain that complacency does not creep in and hamper efficiency, compensation and salary

could be made dependent on the work, project and/or annual performance. The employees would further also be offered performance based incentives and rewards.

Caselet: Controlling Attrition the Office Tiger way

In an industry (BPO) where the attrition rates on an average are about 45%, Office Tiger has managed to keep attrition rates down to 9%. Even top-notch companies would be proud of this major achievement. The company believes in building pride among its employees. Every employee is given work that he is proud of and rewarded when accomplished.

The recruitment process is however very rigorous. The inductees are sent for extensive training program and are encouraged to learn skills that interested them. They are given opportunities to work on live projects and if they feel they require some more training, they are allowed to pursue it.



Check your Progress 4

Match the following.

- | | |
|---------------------------|--|
| i. Attrition | a. Cost of re-recruiting, Retraining, Loss of productivity |
| ii. Controlling attrition | b. Demand and supply of fresh and experienced employees |
| iii. Battling Attrition | c. Gradual natural reduction in the number of personnel through retirement, resignation or death |
| iv. Reasons of Attrition | d. Building pride amongst employees and giving work that they are proud of and rewarded |
| v. Impact of Attrition | e. No poach agreements, background checks, respect of work culture, employee branding |



Activity 3

Find out the current attrition rate in BPO and IT industry.



Summary

- Human resource planning, if used properly, leads to the maximum utilization of human resources, reduces excessive labour turnover and high absenteeism, improves productivity and helps in achieving the objectives of the organisation.
- Human resource planning is a very important function in the success of an enterprise.
- It is only through initial human resource planning that capable hands are available for promotion in the future.
- The process has gained importance in India with the increase in the size of business enterprises, complex production technology and the adoption of professional management techniques.
- It is a multi-step process involving deciding goals or objectives; estimating future organisational structure and manpower requirements; auditing human resources; planning job requirements and job descriptions; and developing a human resources plan.
- Attrition is a gradual, natural reduction in membership or personnel, as through retirement, resignation or death.



Keywords

- **Human Resource Planning:** It is the process by which a management determines how an organisation should move from its current manpower position to its desired manpower position.
- **Job Description:** It is a written document, which is descriptive in nature and contains a statement of job analysis. It defines the scope of the job activities, major responsibilities and positioning of the job in the organisation.



Self-Assessment Questions

1. Answer the following questions.
 - a. Define manpower planning and explain its uses and benefits.
 - b. What are the limitations of manpower planning?
 - c. Examine the various steps involved in manpower planning.
 - d. Examine the merits and demerits of internal and external sources of recruitment.
 - e. Explain the basic managerial skills with an example each.
 - f. What is the importance of job description in human resource planning?

Notes

2. Write short notes:
 - a. Attrition with special reference to India
 - b. The sources of recruitment commonly used in India

Answers to Check your Progress

Check your Progress 1

Fill in the blanks.

1. Human Resource planning is concerned with the planning of Manpower requirements and supplies.
2. Forecasting of long-term manpower requirement helps the organisations to forecast the compensation costs involved.
3. At national level, Human Resource Planning is concerned with factors such as population, economic development, provision of facilities for education and geographic mobility.

Multiple Choice Single Response

1. Human resource inventory means
 - iii. Database of the existing personnel to compare what exists in stock with what can be expected in stock at future dates.
2. One of the limitations of Human Resource Planning is
 - ii. Changes in economic condition and technology in future tend to make long-range forecasts unreliable.

Check your Progress 2

State True or False.

1. False
2. True
3. True

Check your Progress 3

Multiple Choice Multiple Response

1. Job information helps in many ways and more particularly for the following-
 - i. Adequate Recruitment
 - ii. Adequate Training
 - iv. Adequate salary structures

2. Some of the basic skills required by every manager are–
 - ii. To supervise, follow up and appraise the performance of his subordinates
 - iii. To develop his subordinates through better efforts
 - iv. To keep his subordinates and superiors informed regarding the work of his unit

Check your Progress 4

Match the following.

- i. – c
- ii. – d
- iii. – e
- iv. – b
- v. – a



Suggested Reading

1. Aswathappa, K. *Human Resources and Personnel Management*.
2. Burack, E. H. and N. J. Mathys. *Human Resource Planning: A pragmatic Approach to Manpower Staffing & Development*.
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Notes

Notes

Job Evaluation

UNIT

3

Structure:



- 3.1 Introduction
- 3.2 Job Analysis
 - 3.2.1 Steps in Job Analysis
 - 3.2.2 Applications of Job Analysis
- 3.3 Job Description, Job Specification and Job Design
 - 3.3.1 Job Description
 - 3.3.2 Job Specification
 - 3.3.3 Job Design
- 3.4 Job Evaluation
 - 3.4.1 The Job Evaluation System
 - 3.4.2 Contribution of Trade Unions to Job Evaluation
- 3.5 Techniques of Job Evaluation
 - 3.5.1 Job Ranking
 - 3.5.2 Job Grading
 - 3.5.3 Factor Comparison System
 - 3.5.4. Point Rating System

Summary

Keywords

Self-Assessment Questions

Answers to Check your Progress

Suggested Reading



Objectives

After going through this unit, you will be able to:

- Explain the process of job analysis, job description, job specification and job evaluation
- Evaluate the techniques of job evaluation
- Justify the role of job evaluation as a human resource function

3.1 INTRODUCTION

Job evaluation is the process to determine in a systematic and analytical manner, the comparative worth of job with an organisation. The worth of job is determined in relation to other jobs in terms of the skill needed, responsibility involved, efforts required and the surroundings in which it is performed. Job evaluation attempts to measure these requirements for individual jobs and arrive at their respective worth and place them in their relative order.

If the causes of industrial disputes are analysed, it will be found that wage inequality is responsible for a considerable number of them. In other words, wage inequality to a great extent affects industrial relations. As has been stated earlier, it is because of this and other considerations that personnel administrators are so much concerned with wage administration. But the basic of any sound wage structure depends on correct determination of the worth of jobs. What is the job worth and how can this be determined? Job evaluation provides answers to these questions.

It must, however, be borne in mind that job evaluation is only concerned with the evaluation of jobs and not of people performing them. This point is particularly stressed here because it is very often found that confusion exists in the minds of many in this respect. Job evaluation is not exactly a science as one understands the term, but its merit lies in its systematic and analytical approach. Further, job evaluation is not directly concerned with the quantitative and qualitative aspects of output or at the speed at which the operations or workers perform a job. They are subject matters of other techniques like merit rating and work study.

The benefits which are likely to occur from a job evaluation programme are many. Amongst them, the first and foremost is that it lays down the foundation for a rational wage structure. A properly developed structure based on job evaluation will tend to reduce grievances relating to wages and improve industrial relations. Other advantages are job descriptions which are prepared as part of the process which can be used for writing job specifications which then can be used for the purposes of recruitment, training, promotion, transfer and job evaluation.

3.2 JOB ANALYSIS

Notes

Job analysis is a systematic process of collecting, evaluating and analysing information about a job. Job analysis is a very valuable source of information for human resource planning and development.

Job analysis, which is a step in the job evaluation process, consists of analysing the job in details. The idea of such analysis is to find out all relevant facts in respect of the job through either interviews or questionnaires. Information is collected through a questionnaire wherein the workers fill the particulars about their jobs. On the other hand, where workers are illiterate or unable to express themselves in written languages, pertinent job information is collected through interviews.

The nature of information gathered through job analysis is the requirement of skill in performing the job, responsibilities involved, and the surroundings in which it is performed. The job is studied and watched when actually performed to give a clear picture of tasks involved, the skills, abilities and knowledge required as well as the surroundings in which it is performed. Verification with supervision is necessary for the accuracy of the job facts. The data obtained through job analysis are recorded on what is known as job analysis sheet. The data recorded can be used for many other purposes apart from job evaluation, such as recruitment, training, transfer, promotion, etc. One can prepare from the data what is known as job specification, which lays down specific qualifications necessary for performing the job. This can make selection and recruitment more effective.

The next step in the process is the writing of job description from the job analysis data for the purpose of evaluation. It is the presentation of job facts in a form, which facilitates evaluation.

Job analysis provides information on the following:

- a) **Educational qualifications, training, experience, skills, traits, attitudes required to perform the job:** Through the process of job analysis, all activities required to perform a job are identified. This list of activities provides guidelines for the kind of educational qualifications, experience and training required to perform the job. Job analysis also provides job specifications, which indicate besides educational qualifications and experience, the skills, abilities, traits, aptitude and attitude necessary for performing the job.
- b) **Structure and design of job to make it meaningful and enhance the jobholder's performance:** To ensure that a job is a meaningful whole, all tasks required for its performance need to be grouped together. Job analysis provides this information, which helps in designing the job logically.
- c) **Plans for future human resource requirements and career planning:** Job analysis indicates skills, the human resources in the organisation

possess. When the organisation plans for expansion, growth or diversification, skill requirements change. Job analysis also provides information on future jobs. With this information, it would be possible to assess long-term human resource requirements and determine if people would have to be recruited from outside or promoted from within. This information forms the basis for recruitment from outside and career planning for employees with potential within the organisation.

- d) **Placement of the right person on the right job to utilise skills optimally:** Since job analysis indicates the skills required for a job, it facilitates identification of the right people within the organisation to perform the job. Therefore, it is possible to match available skills with job requirements and utilise human resources optimally.
- e) **Setting up performance standards:** Job analysis indicates the activities required to perform a job and achieve its objectives. These activities, when performed, enable accomplishment of measurable goals and targets. The proficiency with which an employee achieves his goals and targets determines his performance standards.

3.2.1 Steps in Job Analysis

In doing the job analysis, the management gathers information about jobs by interviewing employees, asking them to fill questionnaires and worksheets, observing their performance of certain tasks and collecting information about a job from secondary sources. The following steps are taken while performing a job analysis:

- a) **Determine how each job fits into the total organisation with the help of organisation structure and process charts:** Before a job analysis exercise is undertaken, it is necessary to understand the organisation structure, i.e., the placement of people within the organisation and the reporting relationships. It is also essential to understand the various business processes like manufacturing, marketing and finance and the relationships among them. This provides an overall view of the organisation, the positions and the relative importance of each job.
- b) **Determine when the job analysis information will be used:** Job analysis data may be used for a variety of purposes and situations some of which are as follows:
 - i) Jobs are not clearly defined.
 - ii) Jobs are not logically grouped together.
 - iii) Reporting relationships are not clear.
 - iv) There is an overlap in responsibilities.
 - v) Jobs with the same or similar responsibilities are not placed in the same grade and hence salary scale.
- c) **Purpose of the analysis:** Before undertaking the job analysis exercise, it is necessary to clearly define the purpose.

- i) Select jobs to be analysed, since analysing all jobs is time-consuming and expensive. Not all jobs in an organisation are equally critical; further some of them may not be appropriately graded and scaled. Only those jobs, which are critical to the functioning of the organisation and those requiring correction need to be taken up for study and analysis.
- ii) Prepare questionnaire and gather data on the job including characteristics of the job and abilities and behaviour required of the person performing the job.

The process of job analysis involves a clear understanding of the job. For this, it is necessary to discuss the job content with the jobholder and his immediate supervisor. This will provide data on the job as the jobholder is performing it at present as well as the supervisor's expectations from the jobholder. Based on the type of activities the jobholder has to perform the skills, training, aptitude and behavioural requirements can be defined. Therefore, a standardized questionnaire can be prepared to collect data on all aspects of the job and its requirements. Similarly, the educational qualifications, experience, training, skills, abilities required for the job may also be listed.
- iii) The data collected from employees holding jobs that need to be analysed, should be discussed with department heads and one or two other senior managers so that the job, as it should be ideally performed, can be defined. The job content can then be suitably modified and job descriptions and job specifications prepared.

3.2.2 Applications of Job Analysis

The information obtained through job analysis may be utilised for the following purposes:

- a) Preparation of job descriptions, which include the job objective and the principal activities required to perform the job. This data is useful for the new entrant to a job as well as for drafting an advertisement for recruitment to the position.
- b) Preparation of job specifications, which provide the educational qualifications, experience, critical skills, special knowledge, abilities and aptitudes required to perform the job. This data is useful for recruitment and selection.
- c) Development of key result areas (KRAs) which state clear goals and targets the jobholder has to achieve in a specified time. KRAs are developed using the principal activities stated in the job description. KRAs are a critical component of the performance appraisal system.
- d) Design of training programmes based on the knowledge and skills essential for a job. Job analysis also provides information on inputs required for an employee to progress from one stage to another. This data can be utilised

to design management development programmes to prepare an employee for promotion and higher responsibilities.

- e) Development of compensation structure since compensation is commensurate with duties and responsibilities of a job. For compensation to be equitable accurate assessment of the job requirements has to be made. Job analysis can be utilised for job evaluation which in turn is used to classify jobs. Salary structures may then be developed for each job class.
- f) Job analysis can help in strategic planning by identifying jobs that need to be changed, eliminated or restructured to meet the demands of a changing environment.

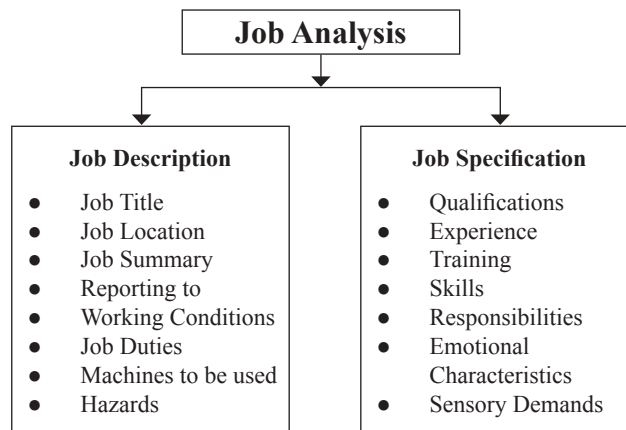


Fig 3.1: Job Analysis: Area of Application

(Source: Personnel Management, Dr. C. B. Mamoria)

3.3 JOB DESCRIPTION, JOB SPECIFICATION AND JOB DESIGN

Job description and job specification are two important parts of job analysis. Both define a job and guide employer and employee to go about the whole process of recruitment and selection. Both are extremely relevant for creating a right fit between job and talent, evaluating performance, analysing training needs and measuring the worth of a particular job.

3.3.1 Job Description

A job description is a written statement of what the jobholder does, how it is done, under what conditions it is done and why it is done. It describes what the job is all about, throwing light on job contents, environment and conditions of employment. It is descriptive in nature and defines the purpose and scope of job. The main purpose of job description is to differentiate the job from other jobs and state its outer limits.

Purpose of job description

- The main purpose of job description is to collect job-related data in order to advertise for a particular job. It helps in attracting, targeting, recruiting and selecting the right candidate for the right job.

- It is done to determine what needs to be delivered in a particular job. It clarifies what employees are supposed to do if selected for that particular job.
- It gives recruiting staff a clear view what kind of candidate is required by a particular department or division to perform a specific task or job.
- It also clarifies about who will report to whom.

3.3.2 Job Specification

It is also known as employee specifications, a job specification is a written statement of educational qualifications, specific qualities, level of experience, physical, emotional, technical and communication skills required to perform a job, responsibilities involved in a job and other unusual sensory demands.

Job specification is useful in the selection process because it offers a clear set of qualification for an individual to be hired for a specific job. It also includes general health, mental health, intelligence, aptitude, memory, judgment, leadership skills, emotional ability, adaptability, flexibility, values and ethics, manners and creativity, etc.

Purpose of job specification

- Job specification helps candidates analyse whether they are eligible to apply for a particular job vacancy or not.
- It helps recruiting team of an organisation understand what level of qualifications, qualities and set of skills should be present in a candidate to make him or her eligible for the job opening.
- Job specification gives detailed information about any job including job responsibilities, desired technical and physical skills, conversational ability and much more.
- It helps in selecting the most appropriate candidate for a particular job.

3.3.3 Job Design

Job design is affected by organisational environment and behavioral factors properly designed job will make it productive and satisfying. Once job analysis is done the organisation has clearly defined job descriptions and job specifications. The organisation can then use this information to design or redesign jobs. Similar duties and tasks are grouped together to design meaningful jobs. This results in achievement of optimal performance and job satisfaction of the jobholder. To enhance this performance and satisfaction, it is also essential to align the competencies of the jobholder with the requirements of the job. Jobs are assessed and the skills required to perform them are determined. Current skill levels of employees are identified. The skill deficiency provides the basis for training and redeployment. There are three other elements that have an impact on the design of a job. These are organisational, environmental and behavioural.

- a) Organisational elements are concerned with efficiency. Efficiently designed jobs allow motivated and capable workers to achieve maximum output.

- b) Environmental elements must be considered in designing a job. These are the abilities of the existing employees, requirements of potential employees and their social expectations. Jobs should be designed such that they fully utilise the abilities of the workforce. Today's employees also have high expectations about quality of work life (QWL). If the design of a job does not offer the QWL that an employee aspires for, the job would create dissatisfaction and low motivation.
- c) While designing jobs with elements that aid efficiency, the human needs or the behavioural elements of persons performing the job have also to be taken into consideration.

People with a strong desire to satisfy higher order needs perform best when jobs are high on dimensions of:

- **Autonomy**, which is responsibility for work.
- **Variety**, which is the use of different skills and abilities.
- **Task identity**, which is responsible for the whole piece of work.
- **Feedback**, which is information on performance.
- **Task significance**, which is the significance of task to people within and outside the organisation.

Techniques of job redesign

Depending on the skills and abilities of employees available to perform a task, jobs may require redesigning. Some jobs are highly specialised whereas others are routine and repetitive.

The action that needs to be taken in job redesign are:

- 1) **Routine jobs:** If a job is much specialised, experts like industrial engineers need to simplify work in a manner that the job becomes simple to perform. The advantage of underspecialisation is that it can be done by employees with limited skills; the disadvantage is that boredom sets in resulting in errors or even resignation.
- 2) **Overspecialised jobs:** Overspecialised jobs do not provide opportunities for accomplishment, recognition or psychological growth. To improve the quality of work life for persons working on such jobs, the following techniques are used:
 - a) **Job rotation:** Job rotation breaks the monotony of performing a highly specialised job by placing persons on jobs requiring different skills and abilities. The organisation benefits because workers become competent on several jobs. The variety of jobs improves the employee's self-image, provides personal growth and makes the employee more valuable to the organisation.
 - b) **Job enlargement:** Job enlargement expands the number of related tasks in the job. Enlargement reduces monotony and utilises a wider range of employee skills.

- c) **Job enrichment:** Job enrichment increases responsibility, autonomy and control. There is vertical loading of the job by adding more planning and controlling responsibilities.

Regardless of the nature of redesign, it must be understood that re-engineering cannot work unless the skills of the employees match the job requirements.



Check your Progress 1

Fill in the blanks.

1. Job _____ consists of job description and job specification.
2. If the design of a job does not offer the _____ that an employee aspires for, the job would create dissatisfaction and low motivation.



Activity 1

If you are the personnel manager, how will you prepare the job description of an employee?

3.4 JOB EVALUATION

A job evaluation is a systematic way of determining the value/worth of a job in relation to other jobs in an organisation. It tries to make a systematic comparison between jobs to assess their relative worth for the purpose of establishing a rational pay structure.

Job evaluation needs to be differentiated from job analysis. Job analysis is a systematic way of gathering information about a job. Every job evaluation method requires at least some basic job analysis in order to provide factual information about the jobs concerned. Thus, job evaluation begins with job analysis and ends at that point where the worth of a job is ascertained for achieving pay equity between jobs.

3.4.1 The Job Evaluation System

Once the top management has decided that a job evaluation be undertaken, the programme must receive its continuous support. Being a time-consuming and difficult undertaking, the programme requires considerable planning at all stages. In the next step, it has to be decided how the programme is to be undertaken: should this be carried out by the management alone or by joint committee of the management and the unions or should the work be entrusted to an outside consultant? The answer to these questions depends on the local circumstances of the organisation, degree of participation of the union, etc. Whatever may be the method by which the programme is carried out, consultation

with workers is essential, since their participation will help the ultimate success of the programme.

The degree of participation by the union is an important factor. A good measure of agreement must be reached before the programme is launched. If the job evaluation is taken up as a result of an agreement between the management and the union, it may be decided at that time how it should be carried out and for which group of workers. If it is decided that it will be carried out by the personnel having technical competence available within the organisation, maybe, by the personnel officer or industrial engineer, it should be given due publicity to secure the cooperation of workers. It may also be decided that the programme will be carried out by a joint committee of union and management representatives, under the guidance of a technically competent person. It will be necessary to train the members of the committee in the techniques of job evaluation before the actual study commences. On the other hand, it may also be possible that either due to non-availability of technical personnel within an organisation or to avoid pressure being exerted on the members of the joint committee from workers or department, outside consultants are called in to carry out the programme. Even if this is done, it has to be ensured that there is acceptance of and general cooperation from all concerned. Summing up it may be said that unless the idea of job evaluation is fully sold and accepted by the workers and supervisory personnel the chance of success is very remote. Employees must be properly informed about the programme through notice, meetings, etc. and it is essential to reassure everyone concerned that there would be no cut in wages and earnings because of the programme. Once installed the programme must be continued on a permanent basis, revaluation of jobs should be carried out when there are major changes in job contents.

3.4.2 Contribution of Trade Unions to Job Evaluation

Trade union is an organised group of employees who come together to strengthen their bargaining position and to put group efforts towards the realization of management goals. Trade union of workers, supervisors, etc. exists but generally in India workers union is more phenomenal.

Workers' main objective is to fulfill their personal needs through organising and rendering services, accepting reward in terms of money. So trade union is directly concerned with job evaluation.

Usually, workers carry a biased view when analysing the role of management, i.e., management is the boss and boss is always concerned with how to cut the benefits given to the workers and in turn reduce labour cost. Obviously one of the objectives is to cut the costs.

Economic and other motivational factors lead people to work. Economical needs motivate people to work, to get something in return for the services rendered. So establishment of fair wage rate is necessary and as such, union's attitude towards job evaluation is very significant.

The only weapon in the hands of trade union is collective bargaining, which the union thinks is taken away by applying the job evaluation system. In

India, collective bargaining is mainly brought into force to deal with fixation. The application of job evaluation lessens the chance for unions to gain strength as they feel it defeats the very objective of the existence of trade unions.

Some unions argue that job evaluation weakens the bargaining strength and makes it impossible to work out adjustments matched to individual needs. It is interesting to note that the concept of job evaluation is well thought of by this system. Unions urge that the jobs having same requirement should be given equal wage and thus believe in equity-centered approach. So job evaluation for trade union is merely a systematic framework for negotiation. It reduces grievances and disputes.

Well-designed job evaluation helps business firms in more than one way.

- a) Being a systematic process, job evaluation fixes the wage rate for each job.
- b) It is considered to be simple as it is easily understood by all.
- c) It establishes equal wage rate for all jobs, according to the job requirements.
- d) Company training programmes, placement requirement, selection and long- range manpower planning always follows job evaluation.
- e) It enables the company to get data or incorporation in local wage surveys to establish job classification.

All these contribute to healthy, sound and equitable wage structure in organisations. But in practice, the role trade unions play, varies from outright opposition to complete participation. The main reason for unwillingness on the part of trade unions is that they feel it is not their job. There is always dispute among the members to settle status.

When several unions exist in an organisation it becomes even more difficult to apply this system. Thus, one of the primary objectives of job evaluation is to design a fair wage structure that workers accept. So relation between two parties is significant and depends on how flexible management is towards its policy. Thus, for the success of any job evaluation system it is absolutely imperative that the system gets the support of unions.



Check your Progress 2

State True or False.

1. Trade union is not concerned with job evaluation.
2. Job evaluation is only concerned with the evaluation of jobs and not of people performing them.



Activity 2

Visit an organisation and evaluate whether the job evaluation process is carried out systematically.

Notes

3.5 TECHNIQUES OF JOB EVALUATION

Many techniques are used for the measurement of worth of jobs. All forms of job evaluation are designed to enable management to determine how much one job should be paid as compared to others. All systems of job evaluation can be classified under two categories: non-quantitative and quantitative. Simple ranking and grading are placed in the non-quantitative category, while point system and factor comparison methods come under quantitative category. The most widely used method is the point system and the least is the ranking system.

One company can apply two methods for two different types of jobs. However, generally, all the four methods are useful and the real effectiveness of any method would depend on how best they are applied.

3.5.1 Job Ranking

This method is widely used in small organisations. Being a very simple and inexpensive method, it also consumes less time and promises enough potential in its usefulness. Before actual ranking, brief job descriptions of all the jobs are taken. Then the job's relative worth, without any other consideration is found. In the beginning of the process, the highest and lowest jobs are determined which serve as benchmarks for the ranking of the remainder. The second method is the paired comparison technique in which each job is compared with all other jobs.

Once the comparison is done, jobs are arranged according to their worth. In this technique, the main idea is to rank jobs in order of their worth. The simplicity of this method is rather deceptive.

The defects of the simple ranking method are:

1. Simplicity is one of the disadvantages as it tends to make measurement somewhat crude. Measurement of whole job, i.e., all the factors affecting the job are not considered.
2. Absence of predetermined yardstick leads to personal bias. The product of this method is a list of jobs in order of their worth, i.e.,

Rank	Job
1	A
2	B
3	C
4	D
5	E

Here, the main assumption is that the difference between A and B is equal to that between B and C, which does not always hold good. To avoid this limitation, key jobs are selected and plotted on the graph against the money value of these jobs. Then all the remaining jobs are relatively compared with the key jobs, and the money worth of these jobs is determined.

3.5.2 Job Grading

In the job ranking method, we do not have pre-decided scale of values, but in job grading there is one yardstick consisting of job classes.

A scale of values consisting of grades and grade description is prepared. Job grades are determined for a category of jobs. From this, the grade descriptions are prepared which should be broad enough to include several jobs. Such grade descriptions cover job description as well.

Two approaches are used in preparing grade description which help to create a single scale of values for measuring the worth of a job. For example, in an enterprise jobs A and B are similar in nature and jobs X, Y and Z are of similar nature. Another approach is to give some known key jobs.

When the yardstick is established, the next step is to go through the job description and the grade description and allocate jobs to one particular grade. The jobs falling under the same grade get the same wage scale.

No doubt, it is an improvisation, yet inherently this method suffers from the following defects:

1. Since there is a broad generalisation of jobs, there are chances of dissatisfaction among certain group jobholders.
2. Grading systems require multiple systems because grading of clerical jobs may be quite different from that of operative jobs.

However, besides these defects, this method is otherwise simple and inexpensive. One benefit of this system is that the grading arrives at a series of classes.

3.5.3 Factor Comparison System

An improved method of the ranking system, the factor comparison system compares job factors rather than the whole job. It consists of the following steps:

- i. Selection of job characteristics.
- ii. Selection of key jobs.
- iii. Determination of correct rates of key jobs.
- iv. Ranking key jobs under each job factor.
- v. Allocation of correct rate to each key job.
- vi. Evaluation of all other jobs.
- vii. Designing, adjusting and operating the wage structure.

The first three steps are quite similar to that of the point system. The fourth step is the ranking of all the key jobs to a particular factor at a time. Suppose, for example, jobs A, B, C, D and E constitute key jobs. They are ranked in such a way that one factor is considered at a time.

Notes

Skill	Responsibility	Effort	Working Conditions
A	B	D	D
B	A	C	E
C	C	E	C
D	D	A	B
E	E	B	A

After preparing this table, the key jobs are to be rated in accordance to the worth of money. How much worth should be given to the skill factor of job A is determined by the evaluation committee.

3.5.4. Point Rating System

This system is widely used in job evaluation. It is a quantifying, analytical and detailed system chalked out to derive a balanced wage structure with least dispute among employees. This method consists of the following steps:

a) **Selection of job factor:** The ranking system and grading system measure job as a whole. The point rating system is the first approach, which breaks down jobs into several essential or salient characteristics. The number of characteristics varies with the organisation. A job factor is defined as a specific requirement levied upon the jobholder, which he must endure. To say, if a person occupies the position of a supervisor, he is expected to work, to supervise, to motivate employees. Thus, he has to put some physical effort, besides mental. His responsibility is much more than that of a worker. Job factors are generally enumerated as follows:

- Effort
- Skill
- Responsibility
- Working conditions

These abilities are input of employees for which they get compensation. There can be many sub-divisions within each of these factors.

Skill	Responsibility	Efforts	Working Conditions
Education	Equipment or Process	Physical	Working Conditions Hazards
Experience	Material or Product	Mental	
Initiative	Safety and Work of others		

Usually, the number of such sub-factors is kept at 10 or 11. But the more the number of sub-factors, the greater will be the accuracy due to detailed specification. The measurement of skill is achieved by taking into account education, experience and ingenuity. Responsibility refers to the accountability for the time and value of things. Efforts refer to the putting and applying of physical and mental efforts on the job and working conditions obviously deals with what one may call safety precautions.

These factors are decided from the job contents. But job contents alter as technology and level of automation change in the organisation. In other words,

job evaluation system should change with the technology. As the degree of automation is increased, job evaluation should give more weightage to higher education, higher responsibility and higher mental efforts.

It takes into account the various key factors that will tell the overall performance of a job. In spite of several job factors only one factor, 'time-span of discretion', is used, which means the longest period of time during which employees are allowed to work without any supervision by superiors. Allowance of work includes the exercise of discretion, initiative and judgment. Thus, clearly the time span of discretion is weighed in respect of responsibility, which is common for all the jobs. The essence behind this approach is, those employees who enjoy equal time span of discretion should be equally rewarded.

b) Construction of yardstick: The construction of yardstick is done by deciding the total points assigned or to be utilised in a system. The most important decision to be taken is what proportion of the total point is to be allocated to skill, effort, responsibility and working conditions. That is to say, a decision is to be taken that if the total point in a system is 1,000, then what should be the percentage contribution of each factor.

The determination of this will depend upon the nature of the organisation, i.e., an enterprise with high automation technology should assign more points for responsibility since the manual skill is translated into machine skill. But generally, skill is given more weightage than responsibility, efforts and working conditions. If we decide 1,000 points for a system, then it could be divided as:

Factor	No. of Points	Percentage
Skill	500	50
Responsibility	200	20
Effort	150	15
Working Conditions	150	15
Total	1000	100

Skill and responsibility will vary with situation. Assignment of points to the various factors is subjective. After this yardstick is developed, the composition of points and degree of the particular factors are worked out. Let us consider, for example, that the total value of 140 points is allocated to education. Then a seven- point scale could be developed as follows:

Scale	Education	Points
1	Read, write, add and subtract	20
2	2 years high school or equivalent	40
3	4 years high school or 2 years university	60
4	4 years high school plus 2-3 years trade training	80
5	4 years high school plus 4 years trade training	100
6	2-3 years college plus 4 years trade training	120
7	4 years college degree plus 4 years trade training	140

This type of job evaluation manual is prepared by an outside agency or by the industrial engineering experts of the company. Preparing a manual is a tiresome and time-consuming process. So, most of the companies like to use readymade manual prepared industrywise by keeping in mind the industry as a whole and because of this, the company may find some deviations in factors or degrees. But, manual is the best guide for most of the companies.

- c) **Evaluation of the job:** Evaluation of job demands the construction of reliable yardsticks and detailed job specification, after which the process of evaluation becomes very simple. The process consists of reading the job specification carefully and comparing the information with the degrees on yardsticks and placing it accordingly. Addition of all the points gives the points of worth of that job.

The more detailed the job specifications, the higher are the chances of accurate rating. Thus, job specifications are the preventive tools to check in case of any differences of opinions among the members of the rating committee.

- d) **Wage survey:** Once the job has been summed up, the next step is placing all the evaluated jobs according to the points in terms of money. This is the point when rated jobs are translated into monetary values. To conduct wage survey, the existing rates are taken for comparison. The main purpose of wage survey is to find out the fair rate for various jobs in order to establish the entire wage structure. Selection of key jobs, whose duties are clearly defined, not unstable and mostly represent all levels of jobs' worth, is the very first step in building a wage survey. For the wage survey, two types of samples are needed. First, sample of key jobs and second, a sample of firms in the labour market. Jobs require different personnel in terms of skill, ability, etc. and thus it varies from local to national level. Selection of sample of firms should be from those firms which operate under similar market conditions.

- e) **Designing the wage structure:** While constructing the wage structure, similar jobs are grouped and treated as a job class. All the jobs, which come under that job class are paid the same wage. In the point system, suppose 120 points to 150 points make a job class. In such a case, all the jobs, which fetch total points between 120 and 150, would carry the same monetary compensation. The purpose of grouping of jobs is to facilitate wage administration.

Factors affecting the designing of the wage structure are:

- i. **Labour market conditions:** If supply of labour is higher than demand, the wage would be relatively low.
- ii. **Economic condition of the country:** If the standard of living is high, it calls for higher wage.
- iii. **Wage structure of other firms:** Wage structure of other firms in the same industry directly affects the company's wage structure.

- iv. **Bargaining power of trade unions:** Sometimes, even though the competitors pay relatively higher wages, due to weak bargaining power of the trade union, management may settle wage at a relatively low rate.

The above factors lead to adjustment in the wage structure. All wages should be paid within limits, which are given by the standard set through a wage structure. A cardinal principle of wage and salary administration is that wage rate circle rates should be placed at proper place by means of appropriate measurements. Adjustments in the total rate structure should also be according to the percentage increment in order to maintain equitable relationships.

Example of a Factor

Weightage to Education

What is the optimum education or training required to perform the job effectively and efficiently?

Degrees – Qualification required

1. Up to HSC or non-technical low-level certificate courses.
2. ITI draughtsman course, NCTVT courses and certificate course in stenography.
3. Graduation degrees like B.A., B.Com, B.Sc. or in company supervisory training courses.
4. Engineering diploma, L.L.B., M.Com, part-time post graduation specialisation courses like Diploma in Taxation, Diploma in Materials Management, etc.
5. Graduation degree in various professions like B.E., B.Tech. A.M.I.E, I.C.W.A., A.C.S., C.A., etc.
6. Post-graduation and doctorate in various professions like M.B.A., M.Tech. M.E, PhD.

For Education as a job factor, the relative weightage and assigned point values against each degree level are given below:

Job Factor	Weightage	Degrees					
		1	2	3	4	5	6
Education	12	12	24	36	48	60	72

Similar point values are assigned for all job factors.



Check your Progress 3

Match the following.

- | | |
|-------------------------------|---|
| i. Point rating system | a. Job factors are compared rather than the whole job |
| ii. Ranking system | b. Jobs are measured as a whole |
| iii. Factor comparison system | c. Least used system of job evaluation |
| iv. Job grading | d. Most widely used system of job evaluation |



Activity 3

Which method of job evaluation will you prefer and why?



Summary

- Job evaluation is the process to determine in a systematic and analytical manner the comparative worth of job within an organisation.
- It is a very time-consuming and complex process and hence must receive wholehearted support from everybody.
- The process of job evaluation involves job analysis which consists of job description and job specification.
- Trade union is directly concerned with job evaluation. Quantitative and non-quantitative techniques are used for the measurement of jobs.
- Simple ranking and grading are placed in the non-quantitative category, while point system and factor comparison methods come under the quantitative category.



Keywords

- **Job evaluation:** The process to determine in a systematic and analytical manner the comparative worth of job in an organisation.
- **Job analysis:** The analysis of job in detail and includes job description and job specification.
- **Job factor:** A specific requirement levied upon the jobholder, which he must endure.
- **Job Design:** The way of organizing tasks, duties and responsibilities into productive unit of the work.



Self-Assessment Questions

1. What is job analysis?
2. Explain the terms job description and job specification.
3. What is the contribution of trade unions to job evaluation?
4. State the techniques of job evaluation.

Answers to Check your Progress

Check your Progress 1

Fill in the Blanks.

1. Job analysis consists of job description and job specification.
2. If the design of a job does not offer the quality of work life that an employee aspires for, the job would create dissatisfaction and low motivation.

Check your Progress 2

State True or False.

1. False.
2. True.

Check your Progress 3

Match the following.

- i. – d.
- ii. – c.
- iii. – a.
- iv. – b.



Suggested Reading

1. Patterson, T.T. 1972. *Job Evaluation: A New Method*. London: Camelot Press.
2. Rao, T.V. *Readings in Human Resource Development*. New Delhi: Oxford and IBH Publishing Co Pvt Ltd.

Notes

Notes

Dashed lines for note-taking.

Recruitment, Selection, Promotion and Transfer

UNIT

4

Structure:



- 4.1 Introduction
- 4.2 The Concept of Recruitment
- 4.3 Recruitment Process
 - 4.3.1 Other Methods of Recruitment
- 4.4 Aspects of Recruitment
 - 4.4.1 Cost-effectiveness of Recruitment
 - 4.4.2 Internal and External Recruitment
 - 4.4.3 New vs. Old Blood
 - 4.4.4 Sources of Recruitment Commonly used in India
- 4.5 Alternatives to Recruitment
- 4.6 The Concept of Selection
 - 4.6.1 Selection Process
- 4.7 Difference between Recruitment and Selection
- 4.8 Promotion
- 4.9 Transfer
 - 4.9.1 Meaning
 - 4.9.2 Principles of Transfer
 - 4.9.3 Reasons of Transfer
 - 4.9.4 Types of Transfers
 - 4.9.5 Benefits of Transfer
 - 4.9.6 Problems of Transfer

Case Study

Summary

Keywords

Self-Assessment Questions

Answers to Check your Progress

Suggested Reading

Annexure



Objectives

After going through this unit, you will be able to:

- Explain the meaning and process of recruitment, selection, promotion and transfer
- List the factors affecting recruitment and selection
- Differentiate between recruitment and selection
- Identify the alternatives to recruitment
- Explain the features of promotion and transfer

4.1 INTRODUCTION

The progress of any organisation depends on the quality of people who work in it. Only a committed and qualified workforce will be able to achieve the goals and targets set by the organisation. Therefore, it is very important to place the right man in the right job so as to make optimum utilisation of his assets. This increases the importance of a strong system of recruitment and selection.

Recruitment deals with finding the applicants, communicating opportunities and information and generating interest. Selection is a systematic process of choosing among the pool of candidates the best-qualified potential candidate who is most likely to perform the job successfully. Both these processes are very important and must be carried out systematically to achieve the goals set by any organisation.

4.2 THE CONCEPT OF RECRUITMENT

Recruitment is the process of identifying and attracting the right candidates for a job. It must follow the manpower planning process.

Before starting the recruitment activity, we must consider:

- Whether the vacancies should be filled up from within or outside the organisation.
- Whether recruitment should be done locally, nationally or internationally.
- The methods and media to be used for attracting applicants.

The recruitment activity is affected by the following factors:

1. **Organisational policy:** If an organisation has a policy of promotion from within, employee morale and retention become higher. The organisation also prefers people who look for a long-term association with the company. However, promotion from within reduces the flow of new people and ideas in an organisation.
2. **Wages and compensation structure:** The company wages and

compensation structure acts as a constraint in recruiting a suitable candidate who expects a higher pay packet.

3. **Government policies:** Government rules and regulations can affect recruitment, e.g., quota for recruitment of persons belonging to certain castes/classes.
4. **Labour market:** The conditions prevailing in the labour market and the availability of labour affect the recruitment process to a certain extent. When there is surplus labour available, even informal recruitment efforts would attract a large number of applicants.
5. **Image and reputation of an organisation:** It is easier for an organisation with a positive corporate image to attract and retain employees than an organisation with a negative image. Attracting good candidates depends on a great extent on how vibrant the organisation has been in the past.
6. **Candidates' preferences:** Generally, new recruits prefer large, well-established companies with a good corporate image to smaller ones.



Check your Progress 1

Fill in the Blanks.

1. _____ from within reduces the flow of new people and ideas in an organisation.
2. The conditions prevailing in the labour market and the availability of labour affect the _____ process to a certain extent.
3. _____ good candidate depends on a great extent on how vibrant the organisation has been in the past.

4.3 RECRUITMENT PROCESS

The process of recruitment consists of the following steps:

1. **Manpower planning:** It defines what resources the organisation needs to meet its objective. It must specify the quality and quantity of manpower needed at a particular date in future.
2. **Job analysis:** It consists of the following:
 - **Job description:** It is a statement of the component tasks, duties, objectives and standards of performances expected from the employee.
 - **Job specification:** It is a specification of the skills, knowledge and qualities required to perform the job.
 - **Personnel specification:** A reworking of the job specification in terms of the kind of person needed to perform the job.

Notes

3. **Identification of vacancies:** It can be done from the requirements of the manpower plan or by a job requisition from a department, branch or office which has a vacancy.
4. **Preparation of budget:** The organisation must decide the amount it wishes to spend on recruitment. The method of recruitment would depend on the time available and budget allocation.
5. **Preparation and publication of information:** The organisation may take recourse to any of the following means:
 - **Advertisement:** It is an effective way of seeking recruits. The advertisement must be clearly worded, mention all the requirements and must appear in the right newspapers that are likely to be read by the potential applicant. Job description and job specification must provide all information required to draft the advertisement for the particular position.
 - **Internet:** It has become a popular method of recruiting people. Many organisations have their own web pages where prospective applicants can obtain data about the company, its products and services, employment opportunities and application procedures. From the organisation's point of view, it is a relatively inexpensive method of attracting qualified applicants. From the job seekers point of view, the Internet allows search over a large geographical area and a wide choice of companies.
6. **Receipt of application form:** Once the application forms are received, they must be screened for eligibility criteria. Those forms, which do not meet the minimum required standard of age, qualification, experience, etc., must be rejected. A formal interview must be conducted for the eligible candidates by properly communicating to them the date, the day, time and place of the interview. These candidates will have to pass through the selection procedure before their final placement.

4.3.1 Other Methods of Recruitment

Recruitment is a very important function of HR Management. Some of the methods used for recruitment are as follows:

1. **Employment agencies and headhunters:** Recruitment through outside agencies is generally undertaken:
 - When the company does not have the time or human resources to spend on the process.
 - When the company wishes to maintain confidentiality.
 - When the company feels that they would be able to attract a wider range of people.

Employment agencies and headhunting firms are hired by organisations to identify suitable candidates for their organisations. Employment agencies

normally recruit at lower and middle-management levels, whereas headhunters concentrate their effort on higher-level managerial positions.

The recruitment agencies are paid a certain percentage of the incumbent's salary as recruitment fees.

It is also mandatory in some states to inform the Employment Exchange of vacancies at workman level.

2. **Campus recruitment:** Organisations visit campuses to recruit for entry-level positions. The procedure is to give a brief talk about the company to the interested candidates and then hold group discussions and personal interviews. This process is generally repeated every year.
3. **Walk-in interviews:** If the company wishes to recruit locally, does not have very exclusive job specification and requires a person urgently, recruitments may be conducted by walk-in interviews. The date and time is specified in the advertisement in a local newspaper and potential candidates are asked to report for the interview along with their documents.
4. **Employees' referrals:** If the company feels that they can obtain candidates by word of mouth, they place an advertisement on the company's notice board stating their requirements. Employees of the company can suggest the names of people known to them who are suitable for the job and get their bio-data. The personnel department would then scrutinise applications and call the short-listed candidates for an interview.



Check your Progress 2

Multiple Choice Single Response.

1. Job description comprises:
 - i. Specification of the skills, knowledge and qualities required to perform the job.
 - ii. Reworking of the job specification in terms of the kind of person needed to perform the job.
 - iii. A statement of the component tasks, duties, objectives and standards of performances expected from the employee.
 - iv. The resources the organisation needs to meet its objective.
2. Services of employment agencies and headhunters are utilised only when:
 - i. The company feels that they would be able to attract a wider range of people.
 - ii. The company does not wish to maintain confidentiality.
 - iii. The company has the time or human resources to spend on the process.
 - iv. The company wants to recruit for entry-level positions only.



Activity 1

Find out an organisation that in your opinion conducts the process of recruitment efficiently and systematically. List the various steps in this process, which they perform to place the right person at the right place/job.

4.4 ASPECTS OF RECRUITMENT

Some of the important aspects of recruitment are discussed below.

4.4.1 Cost-effectiveness of Recruitment

Recruitment can be a very cost-effective process, based on the following factors:

1. **Sources of recruits:** For campus recruitment, the organisation can divide the number of job acceptance by the number of campus interviews to arrive at the success rate of hire for each institute. The institutes where the costs are high or the success rate is low may be dropped from the list for the next year.
2. **Method of recruitment:** The organisation can calculate the total cost of each method, e.g. advertising, travel, administrative and others and divide it by the benefit, e.g. the number of acceptances offered. This would indicate which method is more cost-effective than the other.

4.4.2 Internal and External Recruitment

There are number of factors, which determine whether to promote people from within or recruit from outside. Internal placement is desirable when:

- There is a large talent pool.
- Internal development is a key personnel issue.
- Business conditions are stable.
- Building cross-functional capabilities is a strategic objective of the organisation.
- Skills required to perform the job can be developed in-house.

External placement is desirable when:

- There is a limited talent pool.
- Specialising in a core area is a key personnel issue.
- Business conditions are radically changing.
- There is an urgent need to upgrade the managerial cadre.

Internal sources of recruitment

The best employees can be often found from within the organisation itself. Many organisations in India, therefore, do give preference to people from within the company. At the National Machinery Manufacturers Ltd., for

example, whenever a vacancy exists in a department, as far as practicable such vacancy is filled in by promoting a suitable employee from the lower cadre from the same department. When so promoting, the employee's seniority, merits, initiative, accuracy of work, job knowledge and personnel record are taken into consideration. Again, at Tata Motors, outside recruitment is resorted to only when the requirements for trained personnel cannot be met from the resources generated by the company's training scheme or by internal promotion.

Some organisations even maintain a database of voluntary applications, which can be referred to in the future. The modern belief is that it is better to search first within the company by examining the existing stock or inventory of personnel for appointments. Besides, an announcement of the vacancy can be made on the notice board. It can then be left to the individual candidate within the company to apply so as to improve his own career. This type of internal advertising can be useful for drawing attention to potential transfer and promotion prospects. At Sandoz (India) Ltd., for example, internal advertising is resorted to for all vacancies in manual, technical, clerical or supervisory positions. Such vacancies are notified on the notice board (besides informing employment exchanges when necessary and advertising in local newspapers). Thereafter, selection is done on the basis of merit. Besides, present employees are also good sources of suggestions for job applications.

Thus, when there is a specific opening in an organisation, it is first desirable to look for applicants from within the organisation itself. Vacancies can be filled through transfers and promotions, which again will provide further entry-level positions for which external recruitment can be done. For a good internal transfer and promotion system, one requires a good communication system and an employee information system or manpower skills inventory. Internal advertising, as already mentioned, can be done as far as the communication system is concerned. This may be through bulletin boards, employee newspapers or special cyclostyled announcements circulated in departments. Whichever method is used, it is likely to boost the morale of the employees and develop loyal and good employees.

However, it is necessary to inform immediately such applicants the decision as to whether they were successful or not in being selected for the new opening. In case of unsuccessful employees, it may be necessary to inform them tactfully why they could not be selected. They can further be advised on how they can develop themselves further for future openings.

External sources of recruitment

The external sources of recruitment include the following:

1. Recruitment advertising for inviting applications in response to an advertisement by the company.
2. Reference to employment exchanges.
3. Recruitment from colleges.

Notes

4. A study of the database maintained of past applicants not selected at that time.
5. Use of special consultants for recruiting.

Some organisations entice persons away from other companies. This is particularly so in case of appointments like that of a sales representative. The employment exchange has unfortunately been found to be an unpopular source of recruitment by companies in India.

In case of recruitment advertising, i.e., advertisements inviting applications from outside, the important question is as to what medium is appropriate for recruitment advertising. Whilst many types of media have been tried, particularly abroad, including the television, press advertising has still been found to be the chief and the most effective medium for recruitment advertising. The objective behind such advertising is to solve the recruitment problem speedily and economically. Speed and economy are however often incompatible. Generally, speed is the more important consideration for recruitment advertising. The question of avoiding proximity to competitive advertising is considered not as important as using the established forum for similar advertising. For example, there are particular pages and particular days fixed for classified advertisements (situations vacant) or appointments on Wednesdays on which a majority of recruitment advertising is incorporated in certain papers like the *Times of India*, which probably constitute the best forum for this purpose. The advertisement must also be well drafted as it can constitute the best filter against unlikely applicants thereby saving the company the unnecessary expenses and trouble of having to handle a flood of useless applications.

4.4.3 New vs. Old Blood

As already indicated, from a motivational angle, importing new blood is undesirable, particularly when existing personnel can be absorbed into higher positions. There are however cases where the inside candidates are unfit. They may be too advanced in age or may not have the requisite skills. In such cases, new employees have to be selected from outside the company. A peculiar trend at times noticed is that where the chief executive (e.g., the managing director) is new to the company, he decides to bring with him one or two of his own former close and capable associates, who in his opinion are impartial and reliable and are not distorted by previous loyalties. However, this has a bad effect from the motivation angle on the existing senior executives. A well-organised system of management development activities can materially obviate the necessity of importing new blood.

On the other hand, an exclusive policy of promoting from within can lead to “inbreeding” resulting in promotion of people who have imitated their superiors. Even well-known organisations in India have at times developed this “straightjacket” thinking. Particularly in some large organisations in India, the development of the attitude that the type of thinking prevailing in that particular organisation is the best from the management angle has been seen. This overlooks a truth, namely, that no organisation has monopoly on ideas. Every

enterprise, to be dynamic, must be able to introduce new blood in the form of ideas into the organisation. Thus, a right balance has to be struck between inbreeding and new blood.

The following are some advantages of recruiting from within the company:

- The valuable contacts with major suppliers are kept.
- It builds loyalty among the employees.
- It ensures stability from continuity of employment.
- It creates a sense of security among the employees.
- It encourages other executives and employees in the lower ranks to look forward to rising to higher levels.
- The persons are already familiar with the organisation's activities and requirements.
- The valuable contacts with existing major customers are materialised.

In short, selecting an employee from within the company can enhance the general morale of the company's employees.

Using external sources for recruitment also have their benefits. The following are some of the advantages of selecting from outside:

- Fresh viewpoints are attracted.
- The employees possess a varied and broader experience.
- The employees develop the ability to change old habits.

It is, however, dangerous to be dogmatic as to which is better, i.e., selecting from within or from outside the company. The practice of promoting from within has its origin in the laudable desire of management to be fair and to encourage people within the company. Knowledge of the existence of constant opportunities afforded by such promotion from within the company can serve as a great morale within the organisation. Besides, it can constitute a self-generating source of candidates not only for the top management positions but also for all management levels. In short, such a policy affords a very powerful form of employee motivation.

Caselet

At Sandoz (India) Ltd., before filling up any new job, preference is given by the company to the applicants who are presently employed in the company in a lower job provided they are found suitable. Another interesting facet, though slightly different from purely internal source, is the fact that this company also gives preference in selection in case of permanent posts to the past employees who had worked in the company on a temporary basis in similar posts and who were found to be good on those jobs.

4.4.4 Sources of Recruitment Commonly used in India

In India, in both the public and private sectors, several sources of recruitment are used for securing employees. Public sector undertakings

generally adopt formalised and institutionalised selection procedures. Whilst their policies are generally similar, there are variations as well. Some, for example, give preference to the undertaking's employees' offspring whilst others use a number of sources. According to Prof. Rudrabasaraj's study, a public sector undertaking in heavy engineering, recruited its non-supervisory staff through:

1. Employment exchange
2. External advertisement
3. Internal advertisement
4. Central Training Institute (the men being recruited for training in the CTI for employment under an agreement)
5. Introduction by a liaison officer of the corporation
6. Deputation personnel
7. Transfer from other public undertakings

In another public sector undertaking (steel), first preference was given to displaced persons but was limited to one person for each family. According to this study, the major sources of recruitment in the public sector were, in the order of preference, as follows:

1. Casual callers or employment seekers
2. Newspaper advertisements
3. Scheduled tribes and scheduled castes
4. Employment exchanges
5. Other public undertakings
6. Internal advertisement
7. Displaced persons
8. Relatives and friends
9. Employee recommendations
10. Schools

In case of the private sector, the survey disclosed that the procedures though formulated, were not institutionalised in character. In some organisations, preference was given to sons and relatives of employees and to local people. The major sources of recruitment for the private sector, in the order of preference, were:

1. Advertisements
2. Employment exchange
3. Relatives and friends
4. Casual callers
5. Employee recommendations

Employment exchange is used as a source of recruitment. A Legislation in India requires employers to notify vacancies to employment exchanges. It is, however, reported by many organisations that they have not found this source effective particularly for certain skilled and highly skilled categories. The two most effective sources of recruitment, in the majority of cases were newspaper advertisements, and relatives and friends of employees.



Check your Progress 3

Multiple Choice Multiple Response.

1. The external sources of recruitment are:
 - i. Recruitment from colleges.
 - ii. Use of special consultants for recruiting.
 - iii. Putting the announcement of the vacancy on the company notice board.
 - iv. Recruitment advertising for inviting applications in response to an advertisement by the company.
2. The benefits of internal sources of recruitment are:
 - i. It builds loyalty among the employees.
 - ii. Fresh viewpoints are attracted.
 - iii. It encourages other executives and employees in the lower ranks to look forward to rising to higher levels.
 - iv. It ensures stability from continuity of employment.



Activity 2

What method of recruitment is used in your company and what is the employees' reaction to the same?

4.5 ALTERNATIVES TO RECRUITMENT

While the personnel plan may suggest that additional employees are needed, it might not be possible and practical to recruit because of the cost and performance of recruitment. The alternatives to recruitment are as follows:

1. **Overtime:** Overtime is an alternative to recruitment on a short-term basis.

Whenever there is pressure of achieving targets and the organisation wishes to avoid cost of recruitment and additional employees, existing employees are asked to work overtime. This provides additional income to the existing employees, but there are some problems to this solution. Fatigue sets

in resulting in accidents and absenteeism and the end results are higher labour costs and reduced productivity.

2. **Outsourcing:** Outsourcing is a good solution for small and medium companies that do not have full-time work for the employees. These companies can outsource some activities, for example, pay roll and other routine functions of the personnel department and pay a fixed fee for the service provided.
3. **Temporary employment:** When the work does not require high skills and is of a temporary and non-repetitive nature, temporary or part-time employees may be recruited to perform the job. In this case, the labour costs remain low, accessibility of such personnel is good and the company has flexibility in the period for which they are employed. However, the commitment of temporary persons to the company is not high and they are unfamiliar with its culture.

4.6 THE CONCEPT OF SELECTION

Selection is the process by which an organisation chooses, from a list of applicants, the person who best meets the criteria for the position available taking into account the current market conditions.

Criteria for selection

1. **Education:** One of the most cost-effective methods of screening applications is to use educational standards. Candidates not fulfilling these requirements can be eliminated.
2. **Experience:** Experience is regarded as a good indicator of ability and work-related attitudes. It is assumed that if a person has experience in a similar job, he would be able to perform well on the job under consideration.
3. **Physical characteristics:** Physical attributes can be used as selection criteria only when the job involves tasks that require them. Good eyesight, for example, is essential for a pilot or high stamina is needed for those in manual jobs.
4. **Personal characteristics:** Personal characteristics, such as age and marital status are essential for certain jobs and hence must be specified, for example, certain employers prefer married employees to unmarried ones for reasons of stability and therefore, there is low employee turnover. Certain jobs require a particular personality type, e.g., sales person requires an extrovert personality.

4.6.1 Selection Process

Selection is a negative process whereby applicants are rejected through a step-by-step process and only a few are selected. This process can be detailed out as under:

1. **Preliminary screening:** All applicants are asked to fill up an application blank. Application blanks provide information to check if the candidate is minimally qualified for the job and therefore is a useful initial screening tool.
2. **Interview:** The next step in the selection process is the interview. Interviews can be conducted in the following ways:
 - a. **Structured interviews:** For such interviews, a standardised list of questions is asked to all the applicants. This type of interview is more reliable than the unstructured ones but it does not give the interviewer the flexibility to ask interesting or unusual questions.
 - b. **Unstructured interviews:** This type of interview is more original as different questions are asked as the situation demands. However, it lacks reliability as each candidate is asked a different series of questions.
 - c. **Situational interviews:** Some organisations conduct this type of interviews wherein the respondents are asked to respond to a hypothetical situation they might face on the job for which they are being interviewed.
 - d. **Stress interviews:** For jobs involving stress, stress interviews are conducted to find out how the interviewee responds to stress. Interviews are effective depending on the manner in which they are conducted. The expert interviewer must guard against some mistakes (given in the annexure) while conducting good interviews.

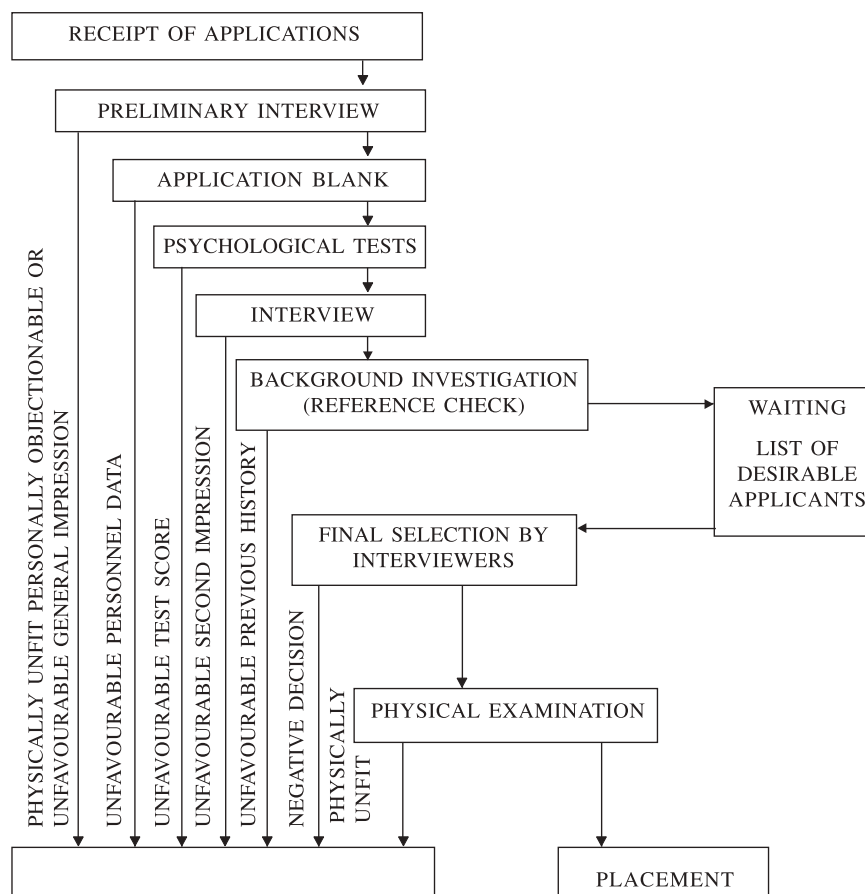


Fig 4.1: Selection Process Flow Chart

3. **Assessment centres:** This can also be used to assess a candidate's potential.
4. **Employment tests:** An employment test is a paper and pencil test or a simulation exercise that attempts to measure certain characteristics of an individual, e.g., manual dexterity, intelligence or leadership style. These tests are very useful for measuring specific skills required for a job.
5. **Reference checks:** Reference checks are conducted to obtain information about the employee to be hired from former employers or co-workers. The reliability of such tests is questionable because former employers may be reluctant to provide information particularly in writing. Personnel executives then substitute the written inquiry with a telephone call.
6. **Medical examination:** Medical examination is normally conducted only after a conditional letter of offer is made. The examination is conducted to ensure that the selected candidate does not have a disability because of which he may not be able to perform the job he has been hired for.



Check your Progress 4

State True or False

1. One of the most cost-effective methods of screening applications is to use educational standards.
2. Physical attributes can be used as selection criterion only when the job involves tasks that require them.
3. Experience is regarded as a bad indicator of ability and work-related attitudes.
4. Personal characteristics, such as age and marital status are not essential for certain jobs and hence must not be specified.

Match the following.

- | | |
|---------------------------|--|
| i. Medical examinations | a. Conducted to obtain information about the employee to be hired from former employers or co-workers. |
| ii. Employment tests | b. Conducted to ensure that the selected candidate does not have a disability. |
| iii. Reference checks | c. Conducted to measure certain characteristics of an individual like manual dexterity, intelligence or leadership style. |
| iv. Stress interviews | d. Conducted wherein the respondents are asked to respond to a hypothetical situation they might face on the job for which they are being interviewed. |
| v. Situational interviews | e. Conducted for jobs involving stress to find out how the interviewee responds to stress. |

4.7 DIFFERENCE BETWEEN RECRUITMENT AND SELECTION

Notes

On the basis of the features of recruitment and selection discussed above, they can be differentiated as shown below in the tabular manner:

Recruitment	Selection
Positive process, i.e., encouraging more and more employees to apply	A negative process, as it involves rejection of the unsuitable candidates
A short process. It requires less time because it only involves few steps. All these steps can be completed very quickly.	A lengthy process. It requires a lot of time because it involves all the steps in the selection procedure. All these steps are very time-consuming.
Precedes selection, i.e., recruitment comes before selection. Recruitment provides the candidates for selection.	Follows recruitment, i.e., selection comes after recruitment. Selection is done from the candidates who are provided by recruitment.
Done by the personnel department. The personnel department consists of staff officers. So recruitment is a staff function.	Done by the particular department which has a vacancy. So selection is a line function.
The basic purpose of recruitment 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.	The basic purpose of selection process is to choose the right candidate to fill the various positions in the organisation.
Not expensive. It mostly involves only advertisement cost.	Very costly. This is because a lot of money is spent on conducting different types of tests, interviews, medical examinations, etc. The experts who conduct selection procedure are paid very high fees. This makes selection a very costly process.
A simple process. It does not require help from experts.	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.
There is no contract of recruitment established in recruitment	Selection results in a contract of service between the employer and the selected employee.



Check your Progress 5

Multiple Choice Multiple Response

1. Recruitment is:
 - i. Encouraging more and more employees to apply.
 - ii. A short and positive process.
 - iii. Providing the candidates for selection.
 - iv. Taking help of experts in the procedure.
2. Selection is:
 - i. A lengthy process.
 - ii. Rejection of suitable candidates.
 - iii. Selection is very costly process because of interview and other costs.
 - iv. Is to choose the right candidate to fill the various positions in the organisation.



Activity 3

Assume that you are the Personnel Manager of a company. Write down what measures/ steps you will take to prevent bias, prejudice, personal opinions and vested interests from interfering in the selection process.

4.8 PROMOTION

It is assigning the higher-level job to an employee from within and this upward movement is called promotion.

Meaning

Promotion is advancement of an employee to a better job in terms of higher responsibility, more prestige, greater skill and increased rate of pay. Thus, the main features of promotions are:

- i. Reassignment of higher-level job.
- ii. Delegation of greater responsibility and authority.
- iii. Higher pay.

Types of Promotion

There are three types of promotion:

- i. **Vertical promotion:** Under this type; employee is moved to the next higher level accompanied by greater responsibility, authority, pay and status.

- ii. **Upgradation:** The job is upgraded in the organisational hierarchy. Consequently, the employee gets more salary, higher authority and responsibility.
- iii. **Dry promotion:** Under this promotion, the employee is moved to the next higher level in hierarchy with greater responsibility, authority and status without any increase in salary.

Purposes of Promotion

Organisations promote their employees with a view to achieve the following purposes:

- i. To utilise the employees' skill, knowledge at the appropriate level resulting in organisational effectiveness and employee satisfaction.
- ii. To develop the competitive spirit and inculcate the zeal to acquire higher skill, knowledge required by higher-level jobs.
- iii. To develop a competent internal source ready to take up jobs at higher levels in the changing environment.
- iv. To promote employees' self-development by reducing labour turnover.
- v. To promote a feeling of satisfaction and a sense of belongingness towards the company.
- vi. To build loyalty and boost morale.
- vii. To reward loyal employees.
- viii. To get rid of the problems created by the leaders of workers' union by promoting them to an officer level, where they are not effective in creating a problem.

Basis of Promotion

The well-established basis of promotion is seniority and merit. The other basis of promotion, which is well practiced under different shades, is favouritism. Personnel officer should have the idea of effectiveness of each basis, while promoting the right man.

- **Merit as basis of promotion:** Merit denotes skill, knowledge, ability, efficiency and aptitude as different from education, training and past employment record.

The advantages of merit rating system of promotion are:

- i. Better utilisation of resources at higher level.
- ii. Competent employees are motivated to do their best and contribute to the organisational efficiency.
- iii. Works as a golden handcuff to arrest employee turnover.
- iv. Encourages the employees to acquire new skills/knowledge for all- round development.

The disadvantages of merit-based promotion are:

- i. Measurement of merit is highly difficult.

- ii. Many people distrust the management's integrity in judging merit.
- iii. The techniques of merit measurement are subjective.
- iv. Merit denotes the past achievement, but does not indicate future success. Hence, the purpose of promotion may not be served if merit is taken as a sole criteria.
- **Seniority as a basis of promotion:** Seniority refers to the relative length of service in the same job and in the same organisation. The logic is, there is a positive correlation between service, knowledge and the skills acquired by the employee. It is based on the custom that the first in should be given first chance in all privileges.

The advantages of seniority-based promotion are:

- i. It is relatively easy to measure the service and judge the seniority.
- ii. There would be full support from all, as there is no scope for favouritism, discrimination and judgment.
- iii. It creates a sense of certainty of promotion to every employee as and when his turn comes.
- iv. Senior employees derive a sense of satisfaction as these employees are respected and their efficiency cannot be disputed.
- v. It minimises the scope for grievances and conflicts.

The disadvantages of seniority-based promotion are:

- i. It assumes that the employees learn more relatively with the length of service. As a matter of fact, employees learn up to a certain age and learning ability diminishes over a period of time.
- ii. It demotivates the young and more competent employees, which may result in higher turnover of young employees.
- iii. It kills the interest to develop as everybody will be promoted with or without improvement.
- iv. Effectiveness of organisation is likely to be diminished.
- v. Judging the seniority can be also difficult in practice as problems like job seniority, company seniority, regional seniority, experience as a trainee, earlier experience pose different considerations.

Both merit and seniority have their advantages and disadvantages. Hence, the combination of both of them can be considered as an effective basis for promotion.

- **Seniority-cum-merit:** While the management prefers merit as the basis of promotion, trade unions prefer seniority as the sole basis of promotion with a view to satisfy majority of employees. A balance between seniority and merit can be considered. There are several ways of striking a balance between the two.

Benefits of Promotion

It is evident that promotion motivates the employees. In addition to that, there are other benefits, too.

- i. Promotion places the employees in a position where an employee's skills and knowledge can be better utilised.
- ii. It creates and increases the interest of other employees in the company, as they believe that they will also get their turn.
- iii. It creates among employees a feeling of content with the existing conditions of work and employment.
- iv. It increases interest in acquiring higher qualifications, in training and in self-development with a view to meet the requirements of promotion.
- v. It improves employee morale and job satisfaction.
- vi. It improves organisational health.

Problems with Promotions

Although, promotion benefits the employees, it creates problems like disappointment of those who did not get promotion, refusal of promotion, etc. Employees may develop a negative attitude and tend to reduce their contribution. Further, some employees refuse promotion. These incidents include promotion with transfer to other areas like unwanted place, apprehension of incompetence, delegation of unwanted responsibilities or anxiety that the promotion may cause damage to their position. At times, the superiors may not like to relieve their subordinates due to their favouritism or indispensability; there could be inequality in promotional opportunities in other departments for higher categories. Problems related to promotions can be minimised through career counselling by the superiors and by improving qualifications.

Promotion Policies

Every organisation implements certain procedures and policies for promoting its employees. The guidelines for such promotion policies are listed hereunder:

- i. It should be consistent and should be applied uniformly to all employees.
- ii. It should be fair and impartial.
- iii. Systematic line of promotion channel should be incorporated.
- iv. It should ensure open policy in the sense that every eligible employee should be considered for promotion.
- v. It should contain clear-cut norms and criteria for judging merit, length of service, potentiality, etc.
- vi. Favouritism should not be taken as a basis for promotion.
- vii. It should reinforce the future chances in the mind of rejected candidates.

Notes



Check your Progress 6

Match the following.

- | | |
|------------------------------|--|
| i. Vertical promotion | a. Job is upgraded in the organisational hierarchy. |
| ii. Dry promotion | b. The employee is moved to the next higher level accompanied by greater responsibility, authority, pay and status. |
| iii. Upgradation | c. The employee is moved to the next higher level in hierarchy with greater responsibility, authority and status but without any increase in salary. |
| iv. Merit-based promotion | d. Promotion on the basis of length of service in the same job and organisation. |
| v. Seniority-based promotion | e. Promotion on the basis of skill, knowledge, ability and efficiency. |

4.9 TRANSFER

It relates to mobility, which is restricted to movement of an employee from one job to another job in the same level of hierarchy.

4.9.1 Meaning

Transfer is defined as “a lateral shift causing movement of individuals from one position to another ordinarily without involving any marked change in duties, responsibilities, skills needed or compensation”.

Transfer is viewed as a change in the assignment in which the employee moves from one job to another in the same level of hierarchy requiring similar skills, involving identical level of responsibility, same status and same level of pay. Thus, transfer is a horizontal job assignment.

4.9.2 Principles of Transfer

The policy of transfer should be transparent to avoid frustration among employees.

Systematic transfer policy should contain the following:

- Job transfers to be based on the job specification, description and classification.
- The region or unit of the organisation within which transfers will be administered.
- Reasons considered for personal transfers should have order of priority

- and they should be well stipulated.
- iv. Reasons for mutual transfers of employees.
 - v. Specifications for transfers like job analysis, merit and length of service.
 - vi. Specification of pay, allowances, benefits, etc. available to the employees.
 - vii. Other facilities like special leave during period of transfer, packaging allowance, and transportation should be provided for.

Generally, line managers administer the transfers and personnel managers assist and advice the line managers in this respect.

4.9.3 Reasons of Transfer

- Organisations resort to transfer with a view to attain the following organisational objectives:
 - i. To meet organisational requirements due to change in technology, change in schedule of production, quality of products, fluctuations in the market conditions like demand fluctuations, introduction of new lines, dropping of existing lines, etc.
 - ii. To satisfy the employee's needs. Employees may prefer to ask for transfer in order to satisfy their desire to work under a friendly supervisor, in a department where opportunities for advancement are bright, near their native place or where the work itself is more challenging.
 - iii. To enhance employees' experience by placing him in different jobs in various departments. This develops the employees and enables him to accept any job.
 - iv. To resolve interpersonal conflicts.
 - v. To adjust the workforce during the period of layoff or adverse business conditions.
 - vi. To give relief to the employees who are overburdened or doing complicated work for a long period.
 - vii. To punish the employees who violate disciplinary rules.
 - viii. To help employees whose working hours or place of work is inconvenient to them.
 - ix. To minimise fraud/bribe, which results due to permanent stay and contact with customers, dealers, suppliers, etc.

To sum up, from the organisatioanl point of view, temporary transfers can be done due to temporary absenteeism, fluctuations in workload or due to short vacations. This implies deputing someone temporarily on a given position in lieu of the original employee. In addition, companies can bring in **permanent transfers due to** change in quality of production, lines of activity, technology and organisational structure, for improving the versatility of employees and employee's job satisfaction and for minimising bribe or corruption.

- **Simultaneously, there might be certain reasons on the part of the employees for obtaining transfer. These are obviously different from the above mentioned reasons and are detailed below:**

Temporary Transfer

- Due to ill health of employees or meeting an accident.
- Due to family problems like aging parents or sickness of wife.
- Due to reasons like pursuing higher education.

Permanent transfer

- Due to chronic ill health or disability caused by accidents.
- With a view to rectify a wrong placement.
- To relieve employees from the monotony of the work.
- To avoid conflicts with supervisor.
- With a view to search opportunities for advancement.

4.9.4 Types of Transfers

Transfers can be classified into following types:

- Production transfer:** Transfers caused due to changes in production.
- Replacement transfer:** Transfers caused due to initiation or replacement of a long-standing employee in the same job.
- Rotation transfer:** Transfers initiated to increase the versatility of employees.
- Shift transfer:** Transfer of an employee from one shift to another.
- Remedial transfer:** Transfers initiated to rectify the wrong placements.
- Penal transfer:** Transfers initiated as a punishment for action of indiscipline of employees.

4.9.5 Benefits of Transfer

Transfers are not always bad and undesirable, as the popular understanding goes. They also come with specific advantages.

- It reduces employees' monotony, boredom.
- It increases employee's job satisfaction.
- It improves employee's skills, knowledge, etc.
- It corrects erroneous placements and interpersonal conflicts.
- It prepares employees to meet organisational exigencies.

4.9.6 Problems of Transfer

However, the employees may face certain issues when confronted with transfers.

- Adjustment problems to the new job, place, environment, superiors and colleagues.

- ii. Causes inconvenience and cost to the employees and his family members related to housing, education of children, etc.
- iii. Results in loss of man-days.
- iv. Discrepancy transfers affects employees' morale, job satisfaction, commitment and contribution.



Check your Progress 7

Fill in the blanks.

1. _____ is defined as a lateral shift causing movement of individuals from one position to another without involving any marked change in duties, responsibilities, skills needed or compensation.
2. _____ transfers affects employee's morale, job satisfaction, commitment and contribution.
3. Transfer initiated to increase the versatility of employees is known as _____ transfer.



Case Study

ABC Company publishes an advertisement for recruitment of eight customer care executives in a local newspaper. The personnel manager scrutinises the 25 applications received out of which only 15 applicants are found eligible. The eligibility criterion is any graduate with excellent communication skills. The personnel manager communicates with the 15 applicants through e-mail and informs them about the day, date, time and place of interview. Out of 15 applicants, 10 report for the interview on the scheduled date. The personnel manager proceeds with the selection process. The remaining 25 candidates happen to be from Mumbai. The next day they communicate their inability to report for the interview on the scheduled date due to bad law and order situation in Mumbai. The entire machinery of transport and communication had come to a halt on that day. They request the personnel manager for a new date of interview.

- i. What decision/step will you take, if you are the personnel manager of ABC company?
- ii. Do you think giving another chance to the candidates from Mumbai will be an injustice to the candidates already interviewed?



Summary

- The personnel manager has to perform two major functions of recruitment and selection very effectively and systematically. The objective/purpose of these two processes is to place the right person in the right place at the

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right time and at the right job.

- Recruitment is the process of attracting the right candidates for a job. The recruitment process is affected by the organisation's policy, payment structure and record. In addition, the government rules and regulations of employment, the conditions prevailing in the labour market and the candidate's preferences also affect the success of the recruitment process.
- Manpower planning, job analysis, preparation of budget, preparation and publication of information, receipt and screening of applications are some of the step in the recruitment process. The alternatives to recruitment are overtime, outsourcing and temporary employment.
- Selection is the process by which an organisation chooses, from a list of applicants, the most suitable person for a job. Education, experience, physical and personal characteristics are used as criteria for selection.
- The various steps in the selection process are preliminary screening, interview, personality tests, reference checks, medical examination and final placement.
- A mature HR manager will make sure that there is no bias, prejudice or discrimination against particular candidates. In fact, it must be carried out in a free and fair atmosphere.
- Promotion is advancement of an employee to a better job in terms of higher responsibility, more prestige, greater skill and increased rate of pay.
- Types of promotion are Vertical promotion, Upgradation and Dry promotion.
- Basis for promotion can be merit and seniority or a combination of both.
- Transfer is defined as "a lateral shift causing movement of individuals from one position to another ordinarily without involving any marked change in duties, responsibilities, skills needed or compensation".
- Reasons for transfer may be from the points of view of an organisation or an employee.
- Transfers may be permanent or temporary in nature.
- Types of transfer are production transfer, replacement transfer, rotation transfer, shift transfer, remedial transfer and penal transfer.



Keywords

- **Recruitment:** The process of finding the right person for the right job.
- **Selection:** The process of choosing the most suitable candidate for the job from a group of applicant.
- **Manpower planning:** The process of finding out the manpower (sum total of knowledge, skills and aptitude of people in an organisation) requirements and finding means for meeting those requirements to meet

the goals of the organisation.



Self-Assessment Questions

1. State the difference between recruitment and selection.
2. State the various sources of recruitment.
3. In what situations can transfers prove beneficial to an organisation? Explain with examples.
4. Promotions are always for the benefit of the employees. Comment.
5. What are the various types of interviews conducted by organisations?

Answers to Check your Progress

Check your Progress 1

Fill in the blanks.

1. Promotion from within reduces the flow of new people and ideas in an organisation.
2. The conditions prevailing in the labour market and the availability of labour affect the recruitment process to a certain extent.
3. Attracting good candidates depends on a great extent on how vibrant the organisation has been in the past.

Check your Progress 2

Multiple Choice Single Response.

1. Job description comprises:
 - iii. A statement of the component tasks, duties, objectives and standards of performances expected from the employee.
2. Services of employment agencies and headhunters are utilised only when:
 - i. The company feels that they would be able to attract a wider range of people.

Check your Progress 3

Multiple Choice Multiple Response.

1. The external sources of recruitment are:
 - i. Recruitment from colleges.
 - ii. Use of special consultants for recruiting.
 - iv. Recruitment advertising for inviting applications in response to an

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advertisement by the company.

2. The benefits of internal sources of recruitment are:
 - i. It builds loyalty among the employees.
 - iii. It encourages other executives and employees in the lower ranks to look forward to rising to higher levels.
 - iv. It ensures stability from continuity of employment.

Check your Progress 4

State True or False.

1. True
2. True
3. False
4. False

Match the following.

- i. – b.
- ii. – c.
- iii. – a.
- iv. – e.
- v. – d.

Check your Progress 5

Multiple Choice Multiple Response

1. Recruitment is:
 - i. Encouraging more and more employees to apply.
 - ii. A short and positive process.
 - iii. Providing the candidates for selection.
2. Selection is:
 - i. A lengthy process.
 - iii. Selection is very costly process because of interview and other costs.
 - iv. Is to choose the right candidate to fill the various positions in the organisation.

Check your Progress 6

Match the following.

- i. – b.
- ii. – c
- iii. – a
- iv. – e
- v. – d

Check your Progress 7

Fill in the blanks.

- 1. Transfer is defined as a lateral shift causing movement of individuals from one position to another without involving any marked change in duties, responsibilities, skills needed or compensation.
- 2. Discrepancy transfers affects employee's morale, job satisfaction, commitment and contribution.
- 3. Transfer initiated to increase the versatility of employees is known as rotation transfer.



Suggested Reading

- 1. Ghanekar, Anjali. *Human Resource Management*.
- 2. Mamoria, C.B. *Personnel Management*.

ANNEXURE

Usefulness of Interviews

Interviews may be utilised for almost all situations but their reliability and validity tend to be low. The key to an interview's usefulness is the manner in which it is administered.

The most effective types of interviews are:

- i. **Structured interviews:** These are more valid than unstructured interviews

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for predicting job performance.

- ii. **Situational interviews:** Situational interviews yield a higher mean validity than job related or behavioral interviews, which in turn yield a higher mean validity than psychological interviews.
- iii. **One-to-one interviews:** Individual interviews are more valid than panel interviews in which multiple interviewers provide rating in one setting.

Common Interviewing Mistakes

- i. **Snap judgment:** Interviewers tend to jump to conclusions and make snap judgments about candidates in the first few minutes of the interview. Interviewers generally make up their minds in the initial phase and prolonging the interview past this point usually adds little to change their decision.
- ii. **Negative impression:** Interviewers sometimes tend to jump to conclusions and this is particularly troublesome when the interviewer has formed a negative impression about the candidate. An interviewee who starts off with a poor rating finds it difficult to overcome the first bad impression during the rest of the interview.
- iii. **Poor knowledge of the job:** Interviewers, who have good job knowledge, make better decisions about the candidate who would be best suited for the job. They are also able to discriminate well among the candidates.
- iv. **Contrast error:** The order in which candidates are seen for an interview affects the interviewer's rating. For example, an average candidate seen after an unfavourable one appears to be above average.
- v. **Non-verbal communication:** Applicant's non-verbal behaviour influences the interviewer. Applicants who demonstrate greater eye contact, head moving, and smiling and similar non-verbal behaviour are rated higher.
- vi. **Too much/Too little talking:** Too much talking on the interviewer's part stifles the candidate whereas some interviewers let the candidate do all the talking and do not get time to ask substantive questions.

These are some of the pitfalls that interviewers need to guard against to obtain the best out of an interview.

Training and Development

UNIT

5

Structure:



- 5.1 Introduction
 - 5.2 Objectives of Training
 - 5.3 Role of Trainer
 - 5.4 Identification of Training Needs
 - 5.4.1 Need for Training
 - 5.4.2 Sources of identifying Training Needs
 - 5.4.3 Apex Body for Need Identification
 - 5.4.4 Classifying Employees
 - 5.4.5 Training Efforts
 - 5.4.6 Systems Approach to Training
 - 5.5 Methodologies of Training and Development
 - 5.5.1 On-the-Job Training
 - 5.5.2 Off-the-Job Training
 - 5.5.3 Management Development Methods
 - 5.6 Evaluating the Training Programme
- Case Study
- Summary
- Keywords
- Self-Assessment Questions
- Answers to Check your Progress
- Suggested Reading



Objectives

After going through this unit, you will be able to:

- Explain the concept of training and development
- Define the objectives of training and development
- Identify the training needs of the workers
- Discuss the various training methods
- Evaluate the training and development methodologies

5.1 INTRODUCTION

Training and development is an important component of every organisation's survival strategy. Technology is changing very fast and information explosion is terrific. Under such circumstances, individuals as well as organisations can survive and progress only if they update their knowledge, sharpen their skills and keep themselves abreast of the latest developments and changes. The one who refuses to change will be left behind and will be lost. Therefore, training and development is very important for the following reasons:

- To face the tough competition in every field and survive gracefully
- To accept and adapt to the changes in the field of science and technology
- To upgrade and sharpen one's skills that are needed to do the job successfully
- To learn the correct way of doing things
- To improve job performance and consequently better job satisfaction

Training is a process of learning a sequence of programmed behaviour. It is the application of knowledge. It gives people an awareness of the rules and procedures to guide their behaviour. It attempts to improve their performance on the current job and prepares them for an intended job.

Development is a related process. It covers not only those activities, which improve job performance but also those, which bring about growth of the personality; helps an individual in the progress towards maturity and actualisation of potential capacities so that people become not only good employees but better men and women. In organisations, it is intended to equip people to earn promotions and hold positions of greater responsibility. Training a person for a bigger and higher job is development; this process includes not only imparting skills but also certain mental and personality attitudes.

5.2 OBJECTIVES OF TRAINING

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The objectives for the training of employees are:

1. **To increase productivity:** Instructors can help employees increase their level of performance on their present assignment. Increased human performance often leads to increased operational productivity and increased company profit.
2. **To improve quality:** Better-informed workers are less likely to make operational mistakes. Increase in quality may be in relation to a company product or service or in reference to the intangible organisational employment atmosphere.
3. **To help a company fulfill its future personnel needs:** Organisations that have a good internal programme for development will have to make less drastic manpower changes and adjustments in the event of sudden personnel alterations. When the need arises, organisational vacancies can be easily staffed from maintaining an adequate instructional programme for both its non-supervisory and managerial employees.
4. **To improve organisational climate:** An endless chain of positive reactions result from a well-planned training programme.
5. **To improve health and safety:** Proper training can help prevent industrial accidents. A safer atmosphere leads to more stable mental attitudes on part of the employees. Mental status of managers would also improve, if supervisors know they can better themselves through company designed development programmes.
6. **To prevent obsolescence:** Training and development programmes foster the initiative and creativity of employees and help to prevent manpower obsolescence due to age, temperament or motivation or the inability of a person to adapt himself to technological changes.
7. **Personal growth:** Employees, on a personal basis, gain individually from their exposure to educational expressions. Management development programme seems to give participants a wider awareness, better skill, enlighten realistic philosophy and make personal growth possible.



Check your Progress 1

State True or False.

1. Training and development are synonymous and mean the same thing.
2. The objective of training and development is performance improvement.



Activity 1

Write down the names of any two organisations/professional bodies that impart training in various fields.

5.3 ROLE OF TRAINER

The conventional view about the role of a trainer is to conduct training programmes. A good trainer must necessarily be able to take sessions in different training courses. His ratings in these training programmes would mostly determine his success or otherwise as a trainer. Though this is still considered important, the changing circumstances does not always hold it true. As a result of Industrial Revolution, there has been a stress on the manufacturing function as the Industrial Revolution was brought about by the technology of mass production. Personnel managers and manpower development managers working in the manufacturing culture of organisations took a manufacturing approach to development of human resource. This approach starts with the belief that as a raw material by processing is converted into the final product, so is a human resource, which when put through different management development programmes, is converted into a good management resource. Thus, the trainer became a “manufacturer” of training programmes.

Trainer or Facilitator

The time has come to develop a new perspective, to shift from a manufacturing approach to an agricultural approach towards development of human resource. What is this agricultural approach? A parallel can be drawn between a seed and human resource. All an agriculturist does is to provide a conducive climate by providing water and fertilizer around a seed so that it grows to be a plant and the plant into a giant tree.

The same is true of the development of human resource. Hence, the trainer’s role will have to change from one of conducting training programmes to that of being a facilitator. The stress has to be on learning rather than on teaching. A facilitator should facilitate learning as I believe management cannot be taught. It can only be learned.

General Electric Company, in a research study, found out four simple principles of development. The most important of them was that all development is self-development. No development can take place in an apathetic or a hostile manager. An interest for development has to be created within the manager. The trainer’s role is to create that interest.



Check your Progress 2

Multiple Choice Single Response.

1. In which type of approach, the trainer becomes a “manufacturer” of training programmes?
 - i. Manufacturing approach
 - ii. Agricultural approach
 - iii. Trainer’s approach
 - iv. Facilitator’s approach



Activity 2

Write about your experiences at training programmes that you have attended.

5.4 IDENTIFICATION OF TRAINING NEEDS

Training is a systematic learning process that involves the acquisition and changing of knowledge, skill, behaviour concepts, rules, attitudes and motivation of the employees to enhance their performance on the job as per the business goals and objectives of the organisation. Training is about knowing where employees stand (no matter how good or bad the current situation looks) at present, and where they will be after some point of time. It is all about the acquisition of knowledge, skills and abilities (KSA) through professional development. Though the exercise of identifying the training need is carried out invariably in all organisations, the system to identify the needs varies from organisation to organisation.

5.4.1 Need for Training

The need for training arises due to the following reasons:

- To impart to new entrants the basic knowledge and skills they need for an intelligent performance of definite tasks.
- To assist employers to function more effectively in their present positions by exposing them to the latest concepts, information and techniques and developing the skills they will need in their particular fields.
- To build up a second line of competent officers and prepare them to occupy more responsible positions.
- To broaden the minds of senior managers by providing them with opportunities for an interchange of experiences within and outside with the view of correcting the narrowness in the outlook that may arise from over- specialisation.

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- To impart customer education for the purpose of meeting the training needs of the corporation that deal mainly with the public.
- To reduce supervision time, reduce wastage and spoilage of raw material and produce quality products.
- To reduce defects and minimise rate of accidents.
- To maintain the validity of an organisation as a whole and raise the morale of its employees.
- To take care of labour turnover arising from normal situations like death or physical incapacity, accidents, superannuation, voluntary retirement, promotion within the organisations and change of occupation.
- Old employees need refresher courses to enable them to keep abreast of the changing methods, technique, sophisticated tools and machinery.
- To absorb newer technology in production.

5.4.2 Sources of identifying Training Needs

Major sources of identifying training and development needs of individuals are performance appraisal, career plans and system introduction/improvement.

- **Performance appraisal:** In the performance appraisal system, there is scope to identify the difference between the organisation's expectations and the individual's performance. Areas relating to knowledge, skill, attitude and behaviour on the job that need change can be specifically assessed in the system. The identification comes from the employee himself or out of a discussion between the employee and the senior who does the appraisal.

Generally, training need identification forms a part of the management appraisal system. The needs identified are then collected and suitable training programmes are designed to meet identified needs for different groups of managers.

- **Career plans (job enrichment/enlargement, transfer, promotion):** Based on the advance information made available about changes in content/ context of the job of an individual, the training manager provides suitable inputs to prepare the individual for the change.

The details of the inputs to be given to the individual emerge from discussions the training manager has with the concerned employee and his superiors, both present and future.

- **System introduction:** Implementation of new systems becomes much easier, if all individuals/groups concerned are explained in advance about the change and how to derive the maximum benefit from it.

If more and more employees become aware of the functions of the training department, it would increase the free flow of communication between the training department and other employees. This would help in better identification of training needs. The most important role of a trainer would be to concentrate on the identification of the real training needs. Conducting training programmes

for the sake of improving training related statistics on increasing training budgets will not produce good results. What is required is that trainers should assume the role of the training-need identifiers. They should develop sophisticated training need identification skills and then only the right type of training programme could be designed.

Example of training needs identification: SSL Technology

Jorge Chapiro, a management consultant, who works in Buenos Aires, Argentina and Sao Paulo, Brazil, has done excellent work in this area. He has developed what has come to be referred to as the Supervisory Skill Level Survey, also known as SSL Technology. It is a method of measuring objectively the training needs of a company's supervisors through well-designed psychometric tests. This was developed through tests on 5,000 supervisors in 75 of Brazil's largest companies including General Motors, Fiat, Norton, AUG, Telefunken and Massey Ferguson. The tests were repeated in the US under the auspices of the American Society for Training & Development.

The idea behind SSL is that companies could obtain a good understanding of training supervisors by comparing their performance with that of several thousand supervisors in other companies. The supervisors have to spend three hours answering a 400-statement questionnaire. Typical of these statements are the following:

- Objectives are always attained when planning is good.
- Subordinates need not participate in discussion and preparation of all changes undertaken.
- A supervisor has no responsibility to teach his subordinates safety measures. The organisation should provide specialists for that purpose.
- It is almost impossible to motivate people in a situation where there is disagreement, however, slight.

The final judgment that has to be made on many of the questions gradually reveal the basic attitudes each supervisor has towards his role. The large number of responses is necessary to establish the consistency of the supervisors' reactions. This ensures that the attitudes and gaps in skills revealed by the test are an accurate reflection of the person.

This test helps in determining who should be trained in what. Each of the 11 performance areas has an accompanying training module.

These modules are on:

1. Training subordinates
2. Control
3. Safety
4. Discipline
5. Planning and programming

6. Introduction of change
7. Work environment
8. Motivation
9. Communication
10. Human relations
11. Union relations

The key to the whole programme lies in the initial identification of the supervisor's weaknesses. The computerised results usually hold a number of surprises for all. Experience shows that very seldom does a supervisor need training in more than three areas. The outcome is that training costs are reduced considerably and quite frequently by 30% to 50%. Each supervisor gets what he specifically needs, to improve the learning effectiveness.

5.4.3 Apex Body for Need Identification

Some companies have experimented with an apex body like Corporate Training Committee or Corporate Management Development Committee. Such committees are generally headed by either the chief of personnel and has as its members most of the senior line managers to ensure their commitment to the training function.

This also facilitates discussion of organisational problems or plans, which might need assistance from the training function. Any plan of new technology import, for example, may require training of existing personnel for smooth absorption of the new technology.

5.4.4 Classifying Employees

Dr. George S. Odiorne, Professor of Management and former Dean of the School of Business Administration at the University of Massachusetts, Amherst, has developed a useful and prescriptive strategy for assessing the human resources of a firm. He has done this on the lines of the famous portfolio analysis. The dimensions of the human resources portfolio matrix have the same form as for product and market portfolio, except that the two dimensions comprising grid are related to the important aspects of human performance and potential. Add graph from PDF

Job performance refers to the actual achievements of the individuals compared to the objectives of the job. Potential refers to the likelihood of the jobholder making a future contribution to the employing organisation. The two-by-two grid gives the following four types of employees:

1. **Deadwood:** Employees under this category are incompetent, unsatisfactory and wholly unsuitable occupants of their present position. They have low potential for growth.
2. **Work horses:** These are the people, who have reached their peak of performance in the light of definitely limited capacity. 79% of more than 1500 managers in Dr. Odiorne's study were found to be in this category by their assessors.

3. **Stars:** These are the people of high potential, who are performing at the highest quadrant of their potential. 15% of managers assessed in the same study were positioned in this category.
4. **Problem children:** These are people, who have great potential and genuine capacities but are working below their capacity or only with mixed results. In some instance, they divert their energies to making mischief, engaging in harmful actions or in being too easily diverted into trivial or wasteful uses of their talents.

5.4.5 Training Efforts

Should training efforts be dispersed or be concentrated on some selected categories of employees? Resource for training being a limitation, it will be advisable to concentrate developmental activities on certain categories to get the best results. It is obvious that problem children will get the first priority. Trainers should remember that it is better to concentrate on a few and achieve tangible results than to take everybody in the “training net” and end up achieving little or nothing.

5.4.6 Systems Approach to Training

The training should achieve the purpose of helping employees to perform their work to the required standards. The steps involved in arranging a training programme are as follows:

1. Identifying training needs – who needs training and what do they need to learn?
2. Taking account of learning theory (how people learn); designing and providing training to meet identified needs.
3. Assessing whether training has achieved its aim in terms of subsequent work performance.
4. Making any necessary amendments to any of the previous stages in order to remedy or improve future practice.

This process is commonly known as the Systems Approach to Training (SAT).

The SAT is called so because it is a series of interdependent systems, functionally linked together and integrated into the whole work system. Interdependence of the stages is crucial, since the malfunction or neglect of any of them inevitably affects the others and the total system. If, for example, job analysis has not defined the criteria for effective performance, training needs cannot be identified by performance appraisal. If needs have not been properly identified, it is not possible to design and provide needs related to training or to assess ultimate effectiveness in terms of subsequent work performance.



Check your Progress 3

Fill in the blanks.

1. _____ employees are incompetent, unsatisfactory and wholly unsuitable occupants of their present positions.
2. The training needs can be identified through _____ methods.



Activity 3

Write down two areas in which the staff can be given training for performance improvement.

5.5 METHODOLOGIES OF TRAINING AND DEVELOPMENT

The most popular training methods used by organisations can be classified as either on-the-job or off-the-job training. Few better-known techniques from each category are briefly explained.

5.5.1 On-the-Job Training

The most widely used methods of training take place on the job. On-the-job training places the employees in an actual work situation and makes them appear to be immediately productive. It is learning by doing. On-the-job training is useful for jobs that either are difficult to simulate or can be learned quickly by watching and doing.

One of the drawbacks of on-the-job training can be low productivity while the employees develop their skills. Another drawback can be the errors made by the trainees while they learn. However, when the damage the trainees can do is minimal, where training facilities and personnel are limited or costly, and where it is desirable for the workers to learn the job under normal working conditions, the benefits of on-the-job training frequently offset its drawbacks. The following are the types of on-the-job training:

- i. **Apprenticeship programmes:** People seeking to enter skilled trades are often required to undergo apprenticeship training.
- ii. **Job Instruction Training (JIT):** In this method, a supervisor gives instructions to a trainee how to perform his job, gives an overview of the job and skills and allows him to do the job. This method is also known as training step by step. It is appropriate for improvement of routine and respective operation.

JIT consists of the following four basic steps:

1. Preparing the trainees by telling them about the job and overcoming their uncertainties.

2. Presenting the instruction, giving essential information in a clear manner.
3. Having the trainees try out the job to demonstrate their understanding.
4. Placing the workers into the job, with a designated resource person to call upon should they need assistance.

5.5.2 Off-the-Job Training

Off-the-job training covers a number of techniques – classroom lectures, films, demonstrations, case studies and other simulation exercises and programmed instruction

1. **Classroom lectures or conferences:** The lecture or conference approach is well adapted to conveying specific information – rules, procedures or methods. The use of audio visuals or demonstrations can make a formula classroom presentation more interesting while increasing retention and offering a vehicle for clarifying more difficult points. The lecture's liabilities include possible lack of feedback and the lack of active involvement by the trainees. However, this can be partially offset by reducing the structured lecture format and allowing trainees to provide feedback to the lecturer or creating discussion groups under the direction of a conference leader.
2. **Films:** Films can be a useful training technique. Whether purchased from standard film distributors or produced internally by the organisation, they can provide information and explicitly demonstrate skills that are not easily presented by other techniques. Motion pictures are often used in conjunction with conference discussions to clarify and amplify those points that the film emphasised.
3. **Simulation exercises:** Any training activity that explicitly places the trainee in an artificial environment that closely mirrors actual working conditions can be considered a simulation. Simulation activities include case experiences, experiential exercises, complex computer modelling and vestibule training.
4. **Cases:** They present an in-depth description of a particular problem an employee might encounter on the job. The employee attempts to find and analyse the problem, evaluate alternative courses of action and decide what course of action would be most satisfactory.
5. **Experiential exercises:** These are usually short, structured learning experiences where individuals learn by doing. For instance, rather than talking about interpersonal conflicts and how to deal with them, an experiential exercise could be used to create a conflict situation where employees have to experience a conflict personally and work out its resolution. After completing the exercise, the facilitator or trainer typically discusses what happened and introduces theoretical concepts to help explain the members' behaviour during the exercise.

Notes

Complex computer modelling simulates the work environment by programming a computer to imitate some of the realities of the job. Computer modelling is widely used by airlines in the training of pilots. The computer simulates the number of critical job dimensions and allows learning to take place without the risk or high costs that would be incurred if a mistake were made in a real-life flying situation. An error during a simulation offers an opportunity to learn through one's mistakes. A similar error under real-life conditions might cost a number of lives and the loss of a multimillion-dollar aircraft – quite a high price for a learning exercise. Obviously, complex computer modelling is expensive and can be justified only where programmes are formal, a number of trainees will be trained and the cost of allowing an individual to learn on the job is prohibitive.

In vestibule training, employees learn their jobs on the equipment they will be using, but the training is conducted away from the actual work floor. While expensive, vestibule training allows employees to get an actual feeling for doing tasks without real-world pressures. Additionally, it minimises the problem of transferring learning to the job, since vestibule training uses the same equipment the trainee will use on the job.

The programmed instruction technique can be in the form of programmed texts or manuals, while in some organisations teaching machines are utilised. All programmed instruction approaches have a common characteristic. They condense the material to be learned into highly organised, logical sequences, which require the trainee to respond. The ideal format provides for nearly instantaneous feedback that informs the trainee if his or her response is correct.

5.5.3 Management Development Methods

Management development is more future oriented and more concerned with education, than is employee training or assisting a person to become a better performer. By education, we mean that management development activities attempt to instill sound reasoning processes – to enhance one's ability to understand and interpret knowledge – rather than imparting a body of serial facts or teaching a specific set of motor skills. Development, therefore, focuses more on the employee's personal growth.

Successful managers have analytical, human, conceptual and specialised skills. They are able to think and understand. Training per se cannot overcome a manager's or a potential manager's inability to understand cause-and-effect relationships, to synthesise from experience, visualise relationships or to think logically. As a result, it is suggested that management development be an education process rather than a training process.

On-the-job development

The flexibility and dynamism of the organisation offers all possible development opportunities on the job, which is witnessed by the encouragement given to on-the-job training and development initiatives, job rotation opportunities provided, designing challenging roles and assisting employees to achieve challenging goals.

The development of a manager's abilities can take place on the job. We will review some of the popular on-the-job development techniques.

1. **Coaching:** When a manager takes an active role in guiding another manager, we refer this activity as coaching. The manager gives guidance through direction, advice, criticism and suggestions in an attempt to aid the growth of the employee.

The technique of managers coaching other managers has the advantages that go with learning by doing, particularly the opportunities for high interaction and rapid feedback on performance. However, its two disadvantages are:

1. Tendency to perpetuate the current managerial styles and practices in the organisation.
2. Heavy reliance on the coach's ability to be a good teacher.

As a staff assistant to a manager, the understudy gets the opportunity to learn the manager's job. However, it is not usual that this merely becomes performing the "paper shuffling" chores. Should this be the case or should the manager be threatened by the understudy, the learning experience becomes quite limited. In contrast, in those organisations where managers recognise that their own promotion and advancement depends on preparing underlings to satisfactorily move into their jobs, managers are motivated to prepare their understudies for their current jobs.

2. **Job rotation:** Job rotation is a management technique that assigns trainees to various jobs and departments over a period of a few years. In addition to increasing the manager's experience and allowing the manager to absorb new information, it can reduce boredom and stimulate the development of new ideas. It can also provide opportunities for a more comprehensive and reliable evaluation of the manager by his or her supervisors.
3. **Committee assignments:** Assignment to a committee can provide an opportunity for the employee to share in managerial decision-making, to learn by watching others and to investigate specific organisational problems. When committees are of an ad hoc or temporary nature, they often take on taskforce activities designed to delve into a particular problem, ascertain alternative solutions and make a recommendation for implementing a solution. These temporary assignments can be both interesting and rewarding to the employee's growth.

Off-the-job development

There are many management development techniques that personnel can partake off the job. Some more popular ones like sensitivity training, transactional analysis, lecture courses and simulation exercises are discussed here.

1. **Sensitivity training:** Sensitivity training in "encounter groups" is a method of changing behaviour through group processes. Often referred to as laboratory training, it influences the participants through unstructured

group interaction. Members are brought together in a free and open environment in which participants discuss themselves and their interactive process, loosely facilitated by a professional behavioural scientist. This professional then creates the opportunity for the participants to express their ideas, beliefs and attitudes.

The objectives of sensitivity training are to provide managers with increased awareness of their own behaviour and of how others perceive them, greater sensitivity to the behaviours of others and increased understanding of group processes.

Specific results sought include increased ability to emphasise with others, improved listening skills, greater openness, increased tolerance for individual differences and improved conflict resolution skills.

2. **Transactional analysis:** The transactional analysis experience may help managers understand others better and assist them in altering their responses so as to produce more effective results.
3. **Lecture courses:** Formal lecture courses offer an opportunity for managers or potential managers to acquire knowledge and develop their conceptual and analytical abilities. In large organisations, these lecture courses may be offered “in-house” by the organisation itself and supported by outside college coursework. Small organisations will utilise courses offered in development programmes at universities and colleges through consulting organisations.
4. **Simulation exercises:** Simulations were introduced as a training technique. They are probably even more popular for management development. The more widely used simulation exercises include case study, decision games and role-plays.
 - i. Case study analysis approach to management development was popularised at the Harvard Graduate School of Business. Taken from the actual experiences of organisations, these cases represent attempts to describe, as accurately as possible, real problems that managers have faced. Trainees study the cases to determine problems, analyse causes, develop alternative solutions, select what they believe to be the best solution and implement it.

Case study can provide stimulating discussions among participants, as well as excellent opportunities for individuals to defend their analytical and judgmental abilities. It appears to be a rather effective method for improving decision-making abilities within the constraints of limited information.
 - ii. Simulated decision games and role playing exercises put individuals in the role of acting out managerial problems. Games, which are frequently played on a computer that has been programmed for the particular game, provide opportunities for individuals to make decisions and to consider the implications of a decision on other segments of the organisation.

- iii. Role-playing allows the participants to act out problems and deal with real people. Participants are assigned roles and are asked to react to one another, as they would have to do in their managerial jobs. Role-playing has become increasingly popular as a development technique.

The advantages to simulation are the opportunities to attempt to create an environment similar to real situations the managers incur, without the high costs involved, should the actions prove undesirable. Of course, the disadvantages are the reverse of this. It is difficult to duplicate the pressures and realities of actual decision-making on the job; and individuals often act differently in real-life situations than they do in acting out a simulated exercise.

5.6 EVALUATING THE TRAINING PROGRAMME

Training, like any other function, should be evaluated to determine its effectiveness. A variety of methods are available to assess the extent to which training programmes improve learning, affect behaviour on the job, and impact the bottom-line performance of an organisation. Unfortunately, few organisations adequately evaluate their training programmes. In many ways, this goes beyond poor management; it is poor business practice. Given the substantial monetary stake organisations have in training, it would seem prudent that managers would want to maximise the return on that investment.

Basic Criteria

Some of these criteria are easier to measure than others, but each is important in that it provides different information about the success of the programmes. The combination of these criteria can give a total picture of the training programme in order to help managers decide where the problem areas lie, what to change about the programme and whether or not to continue with a programme. There are four basic criteria available to evaluate training:

Criterion 1: Reactions

One of the simplest and most common approaches to training evaluation is assessing participants' reactions. Happy trainees will be more likely to want to focus on training principles and to utilise the information on the job. However, participants can do more than tell you whether they liked a programme or not. They can give insights into the content and techniques they found most useful. They can critique the instructors or make suggestions about participant interactions, feedback and the like. Potential questions might include the following:

- i. What were your learning goals for this programme? Did you achieve them?
- ii. Did you like this programme?
- iii. Would you recommend it to others who have similar learning goals?
- iv. What suggestions do you have for improving the programme?

Notes

v. Should the organisation continue to offer it?

While evaluation methods based on reactions are improving, too many conclusions about training effectiveness are still based on broad satisfaction measures that lack specific feedback. Furthermore, it should be noted that positive reactions are no guarantee that the training has been successful. It may be easy to collect glowing comments from trainees, but gratifying as this information is to management, it may not be useful to the organisation unless it somehow translates into improved behaviour and job performance. In the final analysis, reaction measures should not stop with assessing the training's entertainment value.

Criterion 2: Learning

Beyond what participants think about the training, it might be a good idea to see whether or not they actually learned anything. Testing knowledge and skills before beginning a training programme gives a baseline standard of trainees that can be measured again after training to determine improvement. However, in addition to testing trainees before and after training, parallel standards can be measured for individuals in a control group to compare with those in training to make certain that improvements are due to training and not some other factor.

Criterion 3: Behaviour

You might be surprised to learn that much of what is learned in a training programme, which never gets used back on the job. It's not that the training was necessarily ineffective. In fact, on measures of employee reactions and learning, the programme might score quite high. However, for several reasons, trainees may not demonstrate behaviour change back on the job. Transfer of training refers to the effective application of principles learned to do what is required on the job. To maximise transfer, managers and trainers can take the following approaches:

- **Feature identical elements:** Transfer of training to the job can be facilitated by having conditions in the training programme come as close as possible to those on the job.
- **Focus on general principles:** In those cases where jobs change or where the work environment cannot be matched exactly, trainers often stress on the general principles behind the training rather than focusing on rote behaviour. This approach helps trainee learn how to apply the main learning points to varying conditions on the job.
- **Establish a climate for transfer:** In some cases, trained behaviour is not implemented because old approaches and routines are still reinforced by other managers, peers and employees. To prevent this kind of problem, the manager should ensure that the work environment supports, reinforces and rewards the trainee for applying the new skills or knowledge.

- **Give employees transfer strategies:** Particularly in settings that are not conducive to transfer, managers should also provide trainees with strategies and tactics for dealing with their transfer environment.

There are several methods of assessing transfer of learned skills back to the job. At Xerox, for example, managers use multiple methods, including observations of trainees once they return to their regular positions, interviews with the trainees' managers, and examination of trainees' post-training performance appraisals. They combine these indices to ascertain whether training and development have impacted job behaviours.

Criterion 4: Results

According to a study, approximately two-thirds of training managers surveyed, reported that they were coming under additional pressure to show that their programmes produce bottom line results. Some of the results based on criteria used in evaluating training include increased productivity, fewer employee complaints, decreased costs and waste and profitability.

No doubt measuring training effectiveness is a difficult job. However, this difficult job must be done well to ensure the continued faith of management in training. The usual way to get this done is to take somebody from outside who studies the impact of some selected training programmes. He studies and makes a presentation to the line managers on the results obtained as a result of these training programmes.

Training evaluation is a must to enhance the effectiveness of training systems. There are many methods and tools available for evaluating the effectiveness of training programmes. Their usability depends on the kind of training programme that is under evaluation. Generally most of the organisations use the Kirk Patrick model for training evaluations which evaluates training at four levels – reactions, learning, behaviour and results.



Check your Progress 4

Match the following.

- | | |
|-----------------------------------|---------------------------------------|
| i. Training methods | a. Mature and experienced |
| ii. Training needs identification | b. To increase productivity |
| iii. Objective of training | c. Questionnaire and interview method |
| iv. Trainer | d. Lectures and films |



Activity 4

Write two examples of on-the-job training programmes you know.



Case Study

New Horizons Ltd. organises a training programme for the new recruits for soft skills development and computer literacy every six months. Mr. Diwanji, the Training and Development Manager, handles the training and development function in the organisation. He implements the same training programmes for the new recruits as well as the managerial level employees every six months. No feedback is taken from the participants who come from diverse age groups, educational and experience levels. The participants attend the training programmes with great expectations but they complain that the training sessions serve no useful purpose. The Training and Development Manager pays no heed to the complaints and justifies that the training and development modules were prepared by experts in the field. Huge budget is spend every year on the training and development programmes.

Analyse the case and state what would be your line of action if you were the training and development manager.



Summary

- Training and development is an important aspect of the human resource policy of an organisation. An expert and experienced trainer plays an important role in an effective training programme.
- The training needs can be identified through survey, questionnaires, interview method and performance appraisal. Training methodology includes on-the-job and off-the-job training for both the employees as well as the managers.
- On-the-job training methods for employees include apprenticeship programmes and job instruction training while off-the-job training methods include classroom lectures, films, simulation exercises, case studies, vestibule training and programmed instructions.
- On-the-job training methods for management development are coaching, job rotation, committee assignments,. Off- the-job training methods are sensitivity training, transactional analysis, lecture courses, simulation exercises, case studies, simulated decision games and role-playing.
- Evaluation of the training programme is very important for effective training programmes.
- The four basic criteria available to evaluate the training programmes are reaction, learning, behaviour and results. All these factors help to make the training programmes effective and successful.



Keywords

- **Training:** A process of learning a sequence of programmed behaviour to improve the performance of the employees on the current job and prepare them for an intended job.
- **Development:** It covers those activities, which improve job performance and bring about growth of the personality, help individuals in the progress towards maturity and actualisation of potential capacities so that people become not only good employees but better men and women.
- **Sensitivity training:** A method of changing behaviour through group processes.
- **Vestibule training:** Employees learn their jobs on the equipment they will be using, but the training is conducted away from the actual work floor.



Self-Assessment Questions

1. Define the terms training and development.
2. What are the objectives of training and development?
3. What are the various methods by which training needs can be identified?
4. How can performance appraisal help in identification of training needs?
5. Explain the on-the-job training methods for management development.
6. What are the criteria for evaluation of training programmes?

Answers to Check your Progress

Check your Progress 1

State True or False.

1. False
2. True

Check your Progress 2

Multiple Choice Single Response.

1. In which type of approach, the trainer becomes a “manufacturer” of training programmes?
 - i. Manufacturing approach

Notes

Check your Progress 3**Fill in the blanks.**

1. Deadwood employees are incompetent, unsatisfactory and wholly unsuitable occupants of their present positions.
2. The training needs can be identified through career plans and performance appraisal methods.

Check your Progress 4**Match the following.**

- i. – d.
- ii. – c.
- iii. – b.
- iv. – a.

**Suggested Reading**

1. Mamoria, C.B. 1996. *Personnel Management*. Bombay: Himalya Publishing House.
2. Venkata Ratnam, C.S. and Srivastava, B.K. 1988. *Personnel Management and Human Resources*. Tata McGraw-Hill Publishing Company.

Performance Improvement

UNIT

6

Structure:



- 6.1 Introduction
- 6.2 Performance Counselling
 - 6.2.1 Conditions for Effective Performance Counseling
 - 6.2.2 Performance Counselling Phases
- 6.3 Process of Performance Counselling
 - 6.3.1 Feedback
 - 6.3.2 Pre-Interview Preparation
 - 6.3.3 Interview
- 6.4 Potential Appraisal
- 6.5 Qualities determining Employee Potential
- Case Study
- Summary
- Keywords
- Self-Assessment Questions
- Answers to Check your Progress



Objectives

After going through this unit, you will be able to:

- Define performance counselling and potential appraisal
- Evaluate the role of performance counselling in performance improvement
- Identify the need for performance counselling and potential appraisal
- Analyse the qualities that determine the potential of employees

6.1 INTRODUCTION

It is very important for the employees to know the level of their performance and the areas in which they need to improve. Performance counselling is a very useful activity provided both the counsellor and the counsellee take it in the right spirit. It helps the employees as well as the organisation to identify the areas of weakness and then to formulate strategies to improve the performance. Performance improvement ultimately helps the organisation to meet its goals and objectives. Potential appraisal finds out the strengths and weaknesses of the employees in relation to their work. It helps the employees to understand their capabilities and then the organisation to put the right man in the right job so as to achieve the set targets.

6.2 PERFORMANCE COUNSELLING

Performance counselling is a very important activity that helps the employees to know themselves better. Performance counselling refers to the help provided by a manager to his subordinates in objectively analysing their performance. It essentially focusses on the analysis of performance and identification of training and development needs for bringing about further improvement. It attempts to help the employee in:

- Understanding himself – his strengths and weaknesses.
- Improving his professional and interpersonal competence by giving him feedback about his behaviour.
- Setting goals and formulating action plans for further improvement.
- Generating alternatives for dealing with various problems.

This is done by providing a supportive and empathetic atmosphere in which the employee feels encouraged to discuss his aspirations, tensions, conflicts, concerns and problems.

6.2.1 Conditions for Effective Performance Counseling

For counseling to be effective, the manager has to take certain precautions and initiatives so that the employee feels comfortable and trusts the efforts being taken by the management. Some conditions that make counseling effective are listed below:

- a) A climate of trust, confidence and openness is essential for effective counselling. Counselling cannot be effective if the subordinate does not trust his boss.
- b) It is necessary that the subordinate feel free to participate, without inhibition or fear, in the process of review and feedback. Counselling is a dialogue between the boss and the subordinate. It is not a one-way process of communication to the employee what he should do or not do.
- c) The main purpose of counselling is employee development. Performance counselling does not serve its purpose if the discussion is allowed to digress into other areas like increment, salary, rewards, etc.

6.2.2 Performance Counselling Phases

The counselling process has the following three phases:

- a) **Rapport building:** In the rapport-building phase, a good counsellor attempts to establish a climate of acceptance, warmth, support, openness and mutuality. This phase involves generating confidence in the employee to open up and frankly share his perceptions, problems, concerns, feelings, etc. The subordinate must be made to feel that he is wanted and that his superior is genuinely interested in his development.
- b) **Exploration:** Besides listening to the employee and establishing a climate of openness, the counsellor should attempt to help the employee understand and appreciate his strengths and weaknesses. He should also understand his own situation, problems and needs. Counselling skill lies in making the employee discover these on his own. Then only will he be motivated to take remedial measures enthusiastically.

Questions may be asked which help the employee focus on his problem. If, for example, an employee feels that his problem is that others do not cooperate with him, the counsellor may ask questions to narrow down the problem to the employee's relationship with a few individuals. Then the superior may ask questions to help the employee understand what he does (or says) to his colleagues that is making it difficult for him to win their co-operation. Problem identification is a critical step in planning for improvement.

Diagnosis of the problem should follow exploration. The effort here should be to generate several alternative causes of a problem. To help the employee make a correct diagnosis of the problem, open-ended questions may be asked. For example, in case of an employee having interpersonal problem in relating to colleagues, the superior may ask, "Why do you think people may be put off when you talk to them?", "Can you recall instances when you got full cooperation?" and "What do you attribute it to?"

- c) **Action planning:** Counselling interviews should end with specific plans of action for the development of the employee. The main contribution of the superior to this phase is helping the employee think of alternative ways of dealing with a problem. For example, in case of an employee whose relationship with colleagues is poor, the superior may suggest, "What three things can you do in the coming week to improve your relationship with X?" After helping the employee brainstorm, the superior may also add some more alternatives to the solutions already generated. The primary responsibility for generating alternative solutions must, however, rest with the employee himself. After alternative solutions to existing performance problem have been identified, the superior should help the employee assess the advantages and disadvantages of each.

Finally, the superior may render some assistance in helping the employee implement the action plan. Often good counselling sessions fail to produce effective results due to lack of follow-up.



Check your Progress 1

State True or False.

1. Performance counselling is a very important activity that helps the employees to know others better.
2. Performance counselling helps the employee to generate alternatives to various problems.

Fill in the blanks.

1. Counselling _____ should end with specific plans of action for the development of the employee.
2. Problem _____ is a critical step in planning for improvement.
3. _____ cannot be effective if the subordinate does not trust his boss.
4. Good counselling sessions fail to produce effective results due to lack of _____.
5. In the _____ phase, a good counsellor attempts to establish a climate of acceptance, warmth, support, etc.



Activity 1

1. State two personality traits of a dynamic personnel manager in your organisation who carries out the function of performance counselling effectively.
2. Name any one organisation where performance counselling is done effectively.

6.3 PROCESS OF PERFORMANCE COUNSELLING

The superior should be an excellent listener. He should pay careful attention to the ideas and feelings of the subordinate. While the superior can easily understand the ideas, the subordinate's feelings and concern should also be deciphered. This requires both patience and skill on the part of the superior, who is doing performance counselling.

Questions play an important role in performance counselling, they can help in gathering more information and in stimulating thinking. However, all questions do not facilitate communication. Some questions can actually hinder it.

6.3.1 Feedback

It is extremely important that feedback is communicated in a manner that produces a constructive response in the subordinate. Most managers find it extremely embarrassing to give negative feedback. Given below are some guidelines that could be followed while giving feedback.

- a) Feedback should be descriptive and non-evaluative. Rather than putting the employee in a defensive position by telling him, "Your late coming convinces me that you are not serious about your work", a manager may say, "I notice that you have been regularly coming late and I am deeply concerned about this." In the initial stages of counselling interview, it helps to describe the problem to the subordinate rather than moralising about it.
- b) It should be focused on the behaviour of the person and not on the person himself. It is necessary to distinguish between the individual and his behaviour in conveying negative feedback. It should be clear to the employee that what is being rejected or criticised is some specific behaviour of his. The intent is not to condemn the employee as an individual. This can be achieved by being fairly specific in pointing out to the employee the behaviour patterns that need corrective action.
- c) Feedback should be data based and not impressionistic. When conveying feedback, it is generally desirable to back it up with few examples of actual events. Care must be exercised not to overdo this as the subordinate may misinterpret it that the superior is systematically building up a well-documented case against him.
- d) It should be suggestive and not prescriptive. To keep the subordinate in a receptive frame of mind, it is better to suggest possibilities rather than impose solutions. Usually sentences that begin with "Maybe you would consider doing this," have a more constructive impact than pronouncements made in a prescriptive fashion.
- e) Feedback should be timely. Ideally it should be given at the first opportunity, when the employee is in a receptive mood.

Notes

- f) Feedback should be continuous. It should become a regular practice so that the subordinate develops an ability to accept and act upon feedback. It makes for more openness in the boss-subordinate relationship.
- g) Feedback must be checked and verified. This will ensure that the subordinate has not misinterpreted the feedback he received from his superior.
- h) Feedback should reinforce positive behaviour. The superior should acknowledge any improvement he perceives in the subordinate's behaviour so that old behaviour patterns are replaced and reinforced by new ones.

6.3.2 Pre-Interview Preparation

The manager concerned should not go unprepared for the performance interview and should acquaint himself with the details and background of the employee. The preparation guidelines are summed up below:

- a) Make sure you know what was mutually agreed in terms of job responsibilities.
- b) Review employee's background, education, training and experience.
- c). Review employee's past jobs and job performance.
- d) Determine the strengths and development needs to be discussed with the employee.
- e) For each need you plan to discuss with the employee, be prepared with alternative development plans, should he need assistance in coming up with a suitable plan.
- f) Determine those points you do not intend to discuss with the employee and how you plan to handle them.
- g) Identify areas that need attention during the next review period.
- h) Make sure that the employee has sufficient advance notice for the interview so that he has time to do his own preparation.
- i) It is useful to note the key points on a piece of paper.

6.3.3 Interview

To make the interview more participative, so that the employee also shares his views and expresses his concerns freely, following measures should be taken by the interviewer:

- a) Be sincere, informal and friendly. Explain the purpose of the discussion and make it clear to the subordinate that the interview is a two-way communication.
- b) Encourage the employee to discuss how he appraises his own performance.
- c) Talk about strong points first, interspersing the discussion with areas that need improvement. Wherever possible, cite specific observations you have made.

- d) Before discussing the suggestions you have for his development, encourage the employee to tell you his own plans.
- e) Reach an agreement on development plans clearly spelling out what you are going to do and what the subordinate intends to do.
- f) At the end of the interview, summarise what has been discussed. Close the discussion on a friendly note.
- g) Make a record of plans you and the employee have made, points requiring follow-up and specific commitments for action on your part.
- h) Make a self-evaluation of how you handled the discussion on the strong and weak points. Also note what you learnt about the employee.
- i) Remember that an appraisal-cum-development interview is an occasion the employee has been looking forward to in order to know your views about how well he has done his job, his strengths and areas needing improvement.
- j) Your positive statements are likely to encourage him and boost his expectations and aspirations. Your negative statements may be depressing immediately, but may help him if the feedback is given properly and if he perceives your feedback as an attempt to give help. In any event, he is likely to keep repeating to himself some of the emotionally meaningful statements you made (either positive or negative) for some time.
- k) The atmosphere created during the discussions is vital for effective communication and mutual understanding. For creating such an atmosphere, the initial period of the interview is important. Spend the initial period of the interview in relatively neutral and less emotionally loaded issues and slowly move on to difficult areas.
- l) Be objective, every individual differs from the other to some degree in personal traits and abilities. The superior must recognise that there is more than one approach to the accomplishment of desired results and should not let his own preferred approach influence the appraisal of his subordinate's behaviour.
- m) Base appraisal of behaviour on observed incidents. Personal traits and abilities are not as easily identified, analysed and measured as work results, nor can they be described in numbers or percentages. So, it is important that the superior is sure of the grounds on which he is discussing the behaviour.
- n) Be sympathetic to the subordinate. Remember that an appraiser is always in an advantageous position in an appraisal interview. The appraisee stands more chances of getting hurt than the appraiser.
- o) After the discussions, make a record of plans you and your subordinate have made (with a copy to the employee). It should include the following:
 - Points requiring follow-up.

Notes

- Commitments you have made for action on your part.
- Evaluate how you handled the discussion.
- What did you do well?
- What did you do poorly? How would you do it differently?
- What did you learn about the employee and about his job?

So, provide valuable feedback for an effective performance counselling.



Check your Progress 2

Multiple Choice Multiple Response.

- Some guidelines that could be followed while giving feedback are:
 - It should be descriptive and non-evaluative.
 - It should reinforce positive behaviour.
 - It should not focus on the behaviour of the person but on the person himself.
 - It should be data based and not impressionistic.
- One should prepare for the pre-interview by:
 - Reviewing the employee's background, education, training and experience.
 - Not determining the strengths and development needs to be discussed with the employee.
 - Identifying areas that need attention during the next review period.
 - Reviewing employee's past jobs and job performance.
- While conducting interviews:
 - Be sincere, informal and friendly.
 - Be sympathetic to the subordinate.
 - Encourage the employee to discuss how he appraises his own performance.
 - Talk about weak points first.



Activity 2

Write down two steps/measures you will take to make the process of performance counselling more effective, if you were the personnel manager of your organisation.

6.4 POTENTIAL APPRAISAL

Notes

Meaning of Potential

Potential means the highest level of work a person could ultimately be expected to handle comfortably and successfully without being overstretched. Subsequently, potential appraisal can be defined as the process of determining an employee's strengths and weaknesses with a view to use this as the predictor of his future. In making this assessment, two different sets of factors should be considered and it is vital to recognise the important fundamental difference between these two sets of factors.

- a) **First Set:** The basic appraisal qualities fundamentally determine the individual's underlying potential.
- b) **Second Set:** All other factors that significantly reflect the person's underlying potential but do not basically determine it such as strength of character, ability to work under pressure, personal drive and emotional stability.

All these factors are clearly useful in obtaining a rounded view of an individual. But by themselves as a group or in isolation, they are not reliable indicators of potential.

The appraiser is asked to ignore difference in age, sex and job group level. Experience has shown that, in practice, an appraisal panel that has gone through the discipline of ranking the qualities of analytical power, creative imagination, sense of reality, holistic view from a detached position and effective leadership can achieve good results despite the difficulties inherent in the potential appraisal.

In making potential appraisal of managers, levels of talent and ambition have to be clearly identified. It should be remembered that there are limits beyond which any individual employee will be over-stretched and not likely to succeed. Doing the present job exceedingly well is no indicator of assured success in a higher job. Some employees are cut-out for specific jobs. They are happy doing such jobs. Promoting them without assessing their potential may be a lose-lose situation for the organisation. All good salesmen, for example, cannot be promoted as sales supervisors. In the absence of a proper potential assessment, the organisation may lose an ace salesman and get a poor sales supervisor.

Objectives of Potential Appraisal

As seen above, potential appraisal aims to use the person's skills to determine what he/she is capable of performing in the future. The main objectives of potential appraisal are:

- a) To assess an individual in terms of the highest level of work the individual will be able to handle comfortably and successfully in future without being over-stretched.

- b) To assist the organisation in discharging its responsibility of selecting and developing managers for the future to ensure continuous growth of the organisation.



Check your Progress 3

Multiple Choice Single Response.

1. The factor that significantly reflect the person's underlying potential but do not basically determine it is:
 - i. Strength of character
 - ii. Inability to work under pressure
 - iii. Professional drive
 - iv. Emotional instability
2. Following factor should be considered while making potential appraisal of managers:
 - i. Doing the present job exceedingly well
 - ii. Not cut-out for specific jobs
 - iii. Difference in age, sex and job group level
 - iv. Level of talent and ambition

6.5 QUALITIES DETERMINING EMPLOYEE POTENTIAL

Based on past experience and research, the following qualities have been found to determine the potential of an employee, meaning the employer should assess them while performing the employee's potential appraisal:

- a) **Analytical Power:** This indicates the ability to breakdown or reformulate an apparently complicated problem into workable units, continue analysis of the problem until all the aspects have been thoroughly and critically examined. The individual should be assessed with particular reference to his strengths or weaknesses in the above.

Factors to be considered while assessing the analytical power include:

- **Relevance of problems and situations analysed:** In using this quality, the individual should display the capability to select the appropriate problem or situation that requires analysis. If there are many problems, he should be able to fix right priorities.
- **Speed with which analysis is completed:** In any organisation, there is a time pressure on solving problems. Therefore, an individual who can exhibit power of analysis under pressure of time will be more effective and useful to the organisation. He should be rated high on this score.

- **Weight and nature of problems and situation to be analysed:** An individual with a highly developed analytical power will bring it to bear on any problem or situation, however unfamiliar the context. Such an individual would rank higher than one who could exercise the power effectively only in a more limited field or on less complex problems or situations.

b) Creative Imagination: This quality relates to the ability of an individual to discern the various useful possibilities and alternatives that are inherent in a problem area and are normally not obvious to less perceptive observers. Creative imagination represents the ability to become detached from “what is” in order to enter the realm of new possibilities. It demands knowledge, appreciation and understanding of present reality that in turn has its roots in the past. Creative imagination, therefore, should be able to encompass a wide time span; embracing past, present and future. This requires vision to provide alternatives on which future can be based.

While assessing employee’s creative imagination, following factors should be considered:

- Allow his imagination to range widely outside the boundaries of conventional thinking or the accepted wisdom.
- Use the imagination to consider the likely implications and consequences of different courses of action.
- Quickly select the most appropriate and effective approach using his sense of reality.
- Readily develop improvements on his initial proposals and solutions and seldom be inclined to remain satisfied with his first ideas.
- Recognise the relevance of apparently insignificant features to the solution of complex problems.
- Give emphasis even on matters, where it is obligatory to follow conventional routes.
- Often present even the most familiar matters in a surprising novel way, owing to his adoption of unusual viewpoints, while studying problems.
- Be a creature of the “world of the possible”. He has no mental blocks because of this; his initial reaction is seldom likely to be, “that can’t be done”. He is not easily satisfied with his own performance.

c) Sense of Reality: Sense of reality means the extent to which an individual is able to interpret the information on which he has to take action. The link between sense of reality and imagination is important for proper understanding of the definition of “sense of reality”. The individual who possesses this quality will display it in circumstances which may be completely new and unfamiliar. He will not be content to warn that adoption of a course will result in a problem but will use this quality with creative imagination to select the right course of action to avoid or oversee the potential problem.

This quality is important because a deficiency in the ability to interpret the reality of the situation will impair the effectiveness of the individual.

A person who has a good sense of reality will:

- Not engage in wishful thinking.
 - Not only have an accurate sense of what is feasible in his own field of knowledge and experience, but also be able to develop very rapidly a similar sense when confronted with new areas and novel situations.
 - Be able to maintain objective approach to a situation in which personal involvement is considerable.
 - Neither overestimate nor underestimate his own capabilities (or those of others) when drawing up and implementing his plans.
 - Not be susceptible to flattery as he becomes increasingly successful.
 - Not restrict his approach to work for certain aspects in which he feels intimately involved or which have a particular attraction, but give due attention to all aspects within his field of responsibility.
- d) **Holistic View from a Detached Position:** The degree to which an individual possesses the innate quality of depth of mind is the most direct indication of the individual's ultimate potential. The higher the level of the job, greater becomes the need for better insight into a large number of inter-relationships and the capacity to deal with an increasing complex range of problems.

This quality will make an individual:

- Look at problems from a higher vantage point with simultaneous attention to relevant details to shape one's work and act accordingly.
- Place facts and problems within a broader context by immediately detecting relevant relationships.

This quality in an individual can be observed in an individual's approach to problems or situations. Faced with a problem he does not approach it in isolation, but first stands back in order to see it in the context of a wider problem area of which it is a part without, however, losing sense of direction.



Check your Progress 4

Match the following.

- | | |
|---------------------------|---|
| i. Analytical power | a. Quality indicating the manager's ability to inspire people |
| ii. Creative imagination | b. Source of welcome advice to others and is known not to hold ready-made or overly one-sided views |
| iii. Effective leadership | c. Ability to become detached from "what is" in order to enter the realm of new possibilities |
| iv. Judgement | d. Ability of quick re-orientation |
| v. Alertness | e. Ability to breakdown or reformulate an apparently complicated problem into workable units |



Activity 3

Write down two qualities of your personality that show you have high/average/low potential.



Case Study

Vinod Dixit is employed in an industrial firm manufacturing cosmetics products for the last ten years. He is an honest, efficient and hard working person who likes to work systematically. He takes a keen interest in all the departmental activities and is an asset to the organisation. His job record is excellent and he is now due for promotion. However, suddenly a senior person from some other firm joins on that new post and Vinod feels cheated. In a span of six months, the personnel manager observes that the performance of Vinod has deteriorated and he is not what he used to be. His morale and motivation seems to be decreasing. Last week he was seen discouraging new recruits from joining the organisation saying that there was no growth.

If you were the personnel manager, how will you help Vinod cope with the unpleasant situation after analysing the case?



Summary

- Performance counselling refers to the help given by a manager to his subordinates in objectively analysing their performance.
- Rapport building, exploration and action planning are the various phases in the process of performance counselling.

Notes

- Assessing the potential or capabilities of the employees is important for promotions as well as for performance improvement.
- Analytical power, creative imagination, sense of reality, capability of taking holistic view from a detached position and effective leadership are some of the qualities that determine the potential of an employee.



Keywords

- **Performance improvement:** The process whereby the employees and the organisation make efforts to upgrade their skills and improve the quality of their services.
- **Performance counselling:** It is the help provided by the manager to his subordinates in objectively analysing their performance.
- **Counsellor:** The professional or the person who helps another person out of his problems when approached by discussing the problem with him.
- **Potential appraisal:** Judging the potential, i.e., the strengths and abilities of a person so that he chooses the right type of work.



Self-Assessment Questions

1. What do you understand by the term performance improvement?
2. Define the terms “performance counselling” and “potential appraisal”.
3. What are the conditions necessary for effective counselling?
4. Describe the phases in performance counselling.
5. Explain the process of performance counselling.
6. What will happen if employers do not conduct potential appraisal of the employees?
7. What are the qualities that determine the potential of the employees?
8. Write down the importance of the interview method in performance counselling.
 - i) State the objectives of potential appraisal.

Answers to Check your Progress

Check your Progress 1

State True or False.

1. False
2. True

Fill in the blanks.

1. Counselling interviews should end with specific plans of action for the development of the employee.
2. Problem identification is a critical step in planning for improvement.
3. Counselling cannot be effective if the subordinate does not trust his boss.
4. Good counselling sessions fail to produce effective results due to lack of follow-up.
5. In the rapport-building phase, a good counsellor attempts to establish a climate of acceptance, warmth, support, etc.

Check your Progress 2

Multiple Choice Multiple Response.

1. Some guidelines that could be followed in giving feedback are:
 - i. It should be descriptive and non-evaluative.
 - ii. It should reinforce positive behaviour.
 - iv. It should be data based and not impressionistic.
2. One should prepare for the pre-interview by:
 - i. Reviewing the employee's background, education, training and experience.
 - iii. Identifying areas that need attention during the next review period.
 - iv. Reviewing employee's past jobs and job performance.
3. While conducting interviews:
 - i. Be sincere, informal and friendly.
 - ii. Be sympathetic to the subordinate.
 - iii. Encourage the employee to discuss how he appraises his own performance.

Check your Progress 3

Multiple Choice Single Response.

1. The factor that significantly reflect the person's underlying potential but do not basically determine it is:
 - i. Strength of character
2. Following factors should be considered while making potential appraisal of managers:
 - iv. Level of talent and ambition

Notes

Check your Progress 4**Match the following.**

i. – e.

ii. – c.

iii. – a.

iv. – b.

v. – d.

Performance Appraisal

UNIT

7

Structure:



7.1 Introduction

7.2 Features of Performance Appraisal

7.2.1 Advantages of Performance Appraisal

7.2.2 Format of Performance Appraisal

7.3 Methods of Performance Appraisal

7.3.1 Traditional Methods

7.3.2 Modern Methods

Summary

Keywords

Self-Assessment Questions

Answers to Check your Progress

Suggested Reading



Objectives

After going through this unit, you will be able to:

- Analyse the term performance appraisal
- Explain the objectives of performance appraisal
- Describe the traditional and modern methods of performance appraisal

7.1 INTRODUCTION

It is very important to evaluate the performance of the employees periodically to find out their level of efficiency. Some standard methods are devised to make the employees understand how far they are from the expected standards so that their performance can be improved. From the organizational point of view, performance appraisal is very important to improve the quality of the work force. Employees who lag behind in certain key performance areas must be assisted to analyse and improve their performance levels. Thus, the processes of performance appraisal helps to evaluate and improve the performance of the employees so that they can give their best to achieve the goals of the organization as well as better career satisfaction.

7.2 FEATURES OF PERFORMANCE APPRAISAL

Performance appraisal is defined as evaluating an employee's current or past performance relative to his or her performance standards. According to Edwin Flippo, Performance Appraisal is the systematic, periodic and impartial rating of an employee's excellence in the matters pertaining to his present job and his potential for a better job.

Performance appraisal involves an evaluation of actual against desired performance. It also helps in reviewing various factors, which influence performance. Managers should plan performance development strategies in a structured manner for each employee. In doing so, they should keep the goals of the organization in mind and aim at optimal utilization of all available resources, including financial ones. Performance appraisal is a multistage process in which communication plays an important role.

Performance appraisal is a systematic way of reviewing and assessing the performance of an employee during a given period of time and planning for his future.

7.2.1 Advantages of Performance Appraisal

The performance appraisal system can serve the following purposes:

- a. To enable each employee to understand his role better and become more effective on the job.

- b. To understand his own strengths and weaknesses with respect to his role in the organization.
- c. To identify the developmental needs of each employee.
- d. To improve relationship between the superior and the subordinate through the realization that each is dependent on the other for good performance and success.
- e. To serve as mechanisms for improving communication between the superior and his subordinates. The subordinates come to know of the expectations of their superiors. They are able to communicate their difficulties and problems in accomplishing their assigned tasks to their superiors. This enables the superiors and the subordinate to jointly try to solve their problems for better accomplishment of tasks.
- f. To provide an opportunity to the employee for introspection, self-evaluation and goal setting, so that he stays on the path of development.
- g. To enable every employee to internalize the norms and values of the organisation, so that organisational identity and commitment is developed throughout the organisation.
- h. To prepare employees for higher jobs by continuously reinforcing development of behavior and qualities for these higher-level positions.
- i. To be an instrument for creating a positive and healthy climate in the organisation that moves people to give their best and enjoy doing so.
- j. To help in a variety of personnel decisions by generating relevant data on each employee periodically.

7.2.2 Format of Performance Appraisal

The format of performance appraisal can be simple or comprehensive. A comprehensive format should have the following components:

- a. Identification of Key Performance Areas (KPA's) and target setting through periodic, say once a year, discussion between each employee and his superior.
- b. Identification of attributes required for the present and future jobs in the organisation.
- c. Self appraisal by the appraisee.
- d. Performance analysis to identify factors that have facilitated and hindered performance.
- e. Performance discussion and counselling.
- f. Identification of training needs.
- g. Action planning and goal-setting for the next year.
- h. Final assessment by the superior for training and development as also rewards and punishment.



Check your Progress 1

Multiple Choice Single Response.

1. Which of the following statements about performance appraisal is not true?
 - i. Employees may be appraised on both objective and subjective measures.
 - ii. Companies use appraisal to encourage employee loyalty and commitment.
 - iii. Performance appraisal has become a tool to motivate workers.
 - iv. Performance appraisal reduces managerial control.



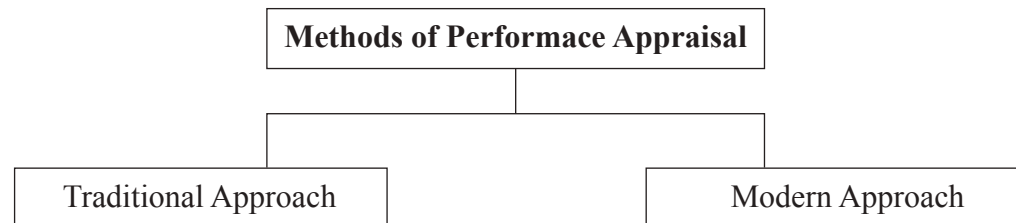
Activity 1

Write down any two advantages of performance appraisal that helped you to understand your role better.

7.3 METHODS OF PERFORMANCE APPRAISAL

The performance Appraisal methods can be classified into two:

1. Traditional Approach
2. Modern Approach



7.3.1 Traditional Methods

Under this approach, performance appraisal has been used just as a method for determining and justifying the salaries of the employees. Later it was used as a tool for determining rewards and punishments for the past performance of the employees. This approach focused only on the past performance of the employees and did not consider the developmental aspects of the employee performance.

1. Graphic Rating Scales:

Graphic rating scales compare individual performance to an absolute standard. In this method, judgments about performance are recorded on a scale. This is the oldest and most widely used technique. This method is also known as linear rating scale or simple rating scale. The appraisers are supplied

with printed forms, one for each employee. These forms contain a number of objectives, behavior and trait-based qualities and characters to be rated, e.g. quality and volume of work, job knowledge, dependability, initiative, attitude etc., in the case of workers and analytical ability, creative ability, initiative, leadership qualities, emotional stability in the case of managerial personnel.

One reason for the popularity of the rating scales is its simplicity, which permits many employees to be quickly evaluated. Such scales have relatively low design cost and high in case of administration. They can easily pinpoint significant dimensions of the job. The major drawback to these scales is their subjectivity and low reliability. Another limitation is that the descriptive words often used in such scales may have different meanings to different raters.

2. **Ranking Method:**

Under this method, the employees are ranked from best to worst on some characteristics. The rater first finds the employees with the highest performance and the employees with the lowest performance in that particular job category and rates the former as the best and latter as the poorest. Then the rater selects the next highest and next lowest and so on until he rates all the employees in that group.

Ranking can be relatively easy and inexpensive, but its reliability and validity may be open to doubt. It may be affected by rater bias or varying performance standards. Ranking also means that somebody would always be in the backbench. It is possible that the low ranked individual in one group may turn out to be a superstar in another group. An important limitation of the ranking method is that the size of the difference between individuals is not well defined. For instance, there may be little difference in performance between individuals ranked second and third, but a big difference between those ranked third and fourth.

3. **Paired Comparison Method:**

This method is relatively simple. Under this method, the appraiser ranks the employees by comparing one employee with all other employees in the group, one at a time. Paired comparison does not force distribution of employees in each department. For instance, if a department has two outstanding employees and six average employees and paired comparison is correctly utilized, then those two employees will get a much higher percentage of positive comparison than the other six. Paired comparison method could be employed fairly easily where the number of employees is less. The number of comparisons required equals $N(N-1)/2$. This means that where the number is fairly large the technique may be time consuming (for instance, for 20 employees, 190 comparisons would be necessary). Another limitation of this technique is that employees are simply compared to each other on total performance rather than specific job criteria.

4. **Forced Distribution Method:**

The rater may rate his employees at the higher or lower end of the scale under the earlier methods. Forced distribution method is developed to prevent

the raters from rating too high or too low. Under this method, the rater, after assigning the points to the performance of each employee, has to distribute his ratings in a pattern to conform to normal frequency distribution.

Thus, similar to the ranking technique, forced distribution requires the raters (supervisors) to spread their employee evaluations in a prescribed distribution. This method eliminates central tendency and leniency biases. However, in this method, employees are placed in certain ranked categories but not ranked within the categories. Quite often, work groups do not reflect a normal distribution of individual performance. This method is based on the rather questionable assumption that all groups of employees will have the same distribution of excellent, average and poor performers. If one department has all outstanding employees, the supervisor would find it extremely difficult to decide who should be placed in the lower categories. Difficulties can also arise when the rater must explain to the employees why he was placed in one grouping and others were placed in higher grouping.

5. **Checklist Method:**

The checklist is a simple rating technique in which the supervisor is given a list of statements or words and asked to check statements representing the characteristics and performance of each employee. There are three types of checklist methods, viz. simple checklist, weighted checklist and forced choice method.

- i. **Simple Checklist Method:** The checklist consists of a large number of statements concerning employee behavior. The rater checks to indicate if the behaviour of an employee is positive or negative to each statement. Employee performance is rated on the basis of number of positive checks. The negative checks are not considered in this method. A difficulty often arises because the statement may appear to be virtually identical in describing the employee. The words or statements may have different meaning to different raters.
- ii. **Weighted Checklist:** The weighted checklist method involves weighing different items in the checklist having a series of statements about an individual, to indicate that some are more important than others. The rater is expected to look into the question relating to the employee's behavior, the attached rating scale (or simply positive/negative statements where such a scale is not provided) and tick those traits that closely describe the employee's behavior. Often the weights are not given to the supervisors who complete the appraisal process, but are computed and tabulated by someone else, such as a member of the personnel unit. In this method, the performance rating of the employees is multiplied by the weight of the statements and the coefficients are added up. The cumulative coefficient is the weighted performance score of the employees. Weighted performance score is compared with the overall assessment standards in order to find out the overall performance of the employee.

The weighted checklist, however, is expensive to design, since checklist for each different job in the organisation must be produced. This may prove

time consuming. This method is evaluative as well as developmental; it has the basic problem of the evaluator not knowing the items that contribute mostly to successful performance.

- iii. **Forced Choice Method:** This method was developed at the close of World War II. Under this method, a large number of statements in groups are prepared. Each group consists of four descriptive statements (tetrad) concerning employee behavior. Of each tetrad, two statements are most descriptive (favorable) and two are least descriptive (unfavorable). Sometimes, there may be five statements in each group out of which one would be neutral. The actual weightages of the statements are kept secret. The appraiser is asked to select one statement that mostly describes employee's behavior out of the two unfavorable statements. The items are usually a mixture of positive and negative statements. The intent is to eliminate or greatly reduce the rater's personal bias, specifically the tendency to assign all high or low ratings. The items are designed to discriminate effective from ineffective workers as well as reflect valuable personal qualities. It is difficult to construct and validate the statements under the forced-choice method, especially for relative small organizations. For raters who are not properly trained, it may be difficult to choose among statements that are equally desirable or equally undesirable. Since they, most often, do not know which of the statements in a given group have the discriminative power to draw the curtain between good and poor workers, they may fail to live up to the expectations and provide an objective evaluation. Further, it may be time consuming to prepare statements that suit the demands of a particular job or company. Finally, it may be unpalatable for the raters to believe that they cannot make an objective evaluation and hence their freedom is curtailed to size.

6. **Critical Incident Method:**

Employees are rated discontinuously, i.e. once in a year or six months under the earlier methods. The performance rated may not reflect real and overall performance, as the rater would be serious about appraisal just two or three weeks before the appraisal. Hence a continuous appraisal method, i.e. critical incident method has been developed. Under this method, the supervisor continuously records the critical incidents of the employee performance or behavior relating to all characteristics (both positive and negative) in a specially designed note book. The supervisor rates the performance of his subordinates on the basis of the notes taken by him. Since the critical incident method does not necessarily have to be a separate rating system, it can be fruitfully employed as documentation of the reasons an employee was rated in a certain way. The critical incident method has the advantage of being objective because the rater considers the records of performance rather than the subjective points of opinion, e.g. mood, emotional balance, relationship between superior and subordinate. This certainly helps in reducing bias in the evaluation.

However, the system is not without drawbacks. First, what constitutes a critical incident is not defined in the same manner by all raters. Next, recording

events (critical) continually over a period of time may be resented by the raters. The question of discounting previous time of the executive is also involved here. Because of the time required to write complete profiles of critical incidents, managers can be asked instead to record sketchy notes of their observations noting the date and some other reminder of the events. Later, these could be transformed into detailed description for completing a rating scale of some kind. Associated with this method is the problem of decency of events. The decency or severity of events sometimes may influence the opinion of raters. More often than not, the employees might have done something 'critically good and excellent' but the supervisor concerned may not have been present and hence the concern about what the supervisor writes about them. Employees may begin to fear the manager's 'black book.'

7. **Essay or Free from Appraisal:**

This method requires the manager to write a short essay describing each employee's performance during the rating period. This format emphasises evaluation of overall performance based on the strength /weaknesses of the employee's performance, rather than specific job dimensions. By asking supervisors to enumerate specific examples of employee's behavior, the essay technique minimizes supervisory bias and halo effect.

The time involved in writing separate essays about each employee can be formidable. Essays are not amenable for evaluation and analysis, fifty essays describing different employees' performance cannot be tied to merit increases and promotion possibilities because there is no common standard. Another inherent limitation of this method is that the evaluators may have unequal skills in writing the essays. A skilful writer can present a more dynamic case about an employee than an awkward writer or supervisor. Thus, the quality of the ratings depends, not actually on employee performance, but on the writing ability of the rater.

8. **Group Appraisal:**

Under this method, an employee is appraised by a group of appraisers. This group consists of the immediate supervisor of the employee, other supervisors who have close contacts with the employee's work, manager or head of the department and consultants. The head of the department or manager may be the Chairman of the group and the immediate supervisor may act as the Coordinator for the group activities. This group uses any one or multiple techniques discussed earlier. The immediate supervisor enlightens others members about the job characters, demands, standard of performance etc. then the group appraises the performance of the employee, compares the actual performance with standards, finds out the deviations, discusses the reasons therefore, suggests ways for improvement of performance, prepares action plans, studies the need for change in the job analysis and standards and recommends change, if necessary. This method is widely used for purposes of promotion, demotion and retrenchment appraisal.

9. Confidential Reports:

Assessing the employee's performance confidentially is a traditional method of performance appraisal. Under this method, superior appraises the performance of his subordinates based on his observations, judgments and institutions. The superior keeps his judgments and report confidential. In other words, the superior does not allow the employee to know the report and his performance. A superior writes the report about his subordinates' strengths, weaknesses, intelligence, attitude to work, sincerity, commitment, punctuality, attendance, conduct, character, friendliness etc. Though confidential report is a traditional method, most of the public sector organizations still follow this method in appraising the employees' performance. This method suffers from a number of limitations.

7.3.2 Modern Methods

The modern approach to performance appraisal is a future-oriented approach and is developmental in nature. This approach has made the performance process more formal and structured. Under this approach, the performance appraisal is taken as a tool to identify better performing employees from others, employees training needs, career development paths, rewards and bonuses and their promotions to be next levels. The modern approach to performance appraisal includes a feedback process that helps to strengthen the relationships between superiors and subordinates and improve communication throughout the organization.

1. Behaviorally Anchored Rating Scales (BARS):

The Behaviorally Anchored Rating Scales (BARS) method combines elements of the traditional rating scale and critical incidents methods. Using BARS, job behaviors - effective and ineffective- from critical incidents are described more objectively. The method employs individuals who are familiar with a particular job to identify its major components. They then rank and validate specific behaviors for each of the components.

How to Construct BARS?

Developing BARS follows a general format, which combines techniques employed in the critical incident method and weighted checklist ratings scales. Emphasis is on pooling the thinking of people who will use the scales as both evaluators and evaluatees.

Step I: Collect Critical Incidents: Employees with knowledge of the particular job, such as jobholders and supervisors, describe specific examples of effective and ineffective behavior related to job performance.

Step II: Identify Performance Dimensions: Employees assigned the task of developing the instruments cluster the incidents into a small set of key performance dimensions. Generally, five to ten dimensions account for most of the performances. Examples of performance dimensions include technical competence, relationship with customer handling or paperwork and meeting day-to-day deadlines. While developing varying

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levels of performance for each dimension (anchors), specific examples of behavior should be used, which could later be scaled in terms of good, average or below average performance.

Step III: Reclassification of incidents: Another group of employees who are knowledgeable about the job is instructed to retranslate or reclassify the critical incidents generated (in step II) previously. They are given the definition of job dimension and told to assign each critical incident to the dimension that it best describes. At this stage, incidents for which there is not 75 per cent agreement are discarded as being too subjective.

Step IV: Assigning Scale Values to the Incidents: Each incident is then rated on a one-to-nine scale with respect to how well it represents performance on the appropriate dimensions. A rating of one represents ineffective performance; the top scale value indicates very effective performance. The second group of participants usually assigns the scale values. Means and standard deviations are then calculated for the scale values assigned to each incident. Typically, incidents that have standard deviations of 1.50 or less (on a 7-point scale) are retained.

Step V: Producing the Final Instrument: About six or seven incidents for each performance dimension - all having met both the retranslation and standard deviation criteria - will be used as behavioral anchors. The final BARS instrument consists of a series of vertical scales (one for each dimension) anchored (or measured) by the final incidents. Each incident is positioned on the scale according to its mean value. Because the above process typically requires considerable employee participation, its acceptance by both supervisors and their subordinates may be greater. Proponents of BARS also claim that such a system differentiates among behavior, performance and results, and consequently is able to provide a basis for setting developmental goals for the employee. Because it is job-specific and identifies observable and measurable behavior, it is a more reliable and valid method for performance appraisal.

Researchers, after surveying several studies on BARS, concluded that despite the intuitive appeal of BARS, findings from research have not been encouraging. It has not proved to be superior to other methods in overcoming rater errors or in achieving psychometric soundness. A specific deficiency is that the behaviors used are activity-oriented rather than result oriented. This creates a potential problem for a supervisor doing the evaluation, who may be forced to deal with employees who are performing the activity but not accomplishing the desired goals. Further, it is time consuming and extensive to create BARS. They also demand several appraisal forms to accommodate different types of jobs in an organisation. In a college, lecturers, office clerks, library staff, technical staff and gardening staff - all have different jobs; separate BARS forms would need to be developed for each. In view of the lack of compelling evidence demonstrating the superiority of BARS over traditional techniques such as graphic rating scales, Decotis concluded: "it may be

time to quit hedging about the efficacy of behavioral scaling strategies and conclude that they offer no clear-cut advantage over more traditional and easily developed methods of performance evaluation.

2. **Assessment Center:**

This method of appraising was first applied in the German Army in 1930. Later business and industrial houses started using this method. This is not a technique of performance appraisal by itself. In fact, it is a system or organisation, where assessment of several individuals is done by various experts by using various techniques such as role playing, case studies, simulation exercise, structure in sight, transactional analysis etc. In this approach, individuals from various departments are brought together to spend two or three days of work on an individual or group assignment similar to the ones they would be handling when promoted. Observers rank the performance of each and every participant in order of merit. Since assessment centers are meant for evaluating the potential of candidates to be considered for promotion, training or development, they offer an excellent means for conducting evaluation process in an objective way. All assessees get an equal opportunity to show their talent and capabilities and secure promotion based on merit. Since evaluators know the position requirements intimately and are trained to perform the evaluation process in an objective manner, the performance rating may find favour with majority of the employees. A considerable amount of research evidence is available to support the contention that people chosen by this method prove better than those chosen by other methods. The center enables individuals working in a low status department to compete with people from well- known departments and enlarge their promotional chances. Such opportunity, when created on a regular basis, will go a long way in improving the morale of promising candidates working in less important positions.

3. **Human Resource Accounting:**

Human Resource Accounting deals with cost of and contribution of human resource organisation. Cost of the employee includes cost of manpower planning, recruitment, selection, induction, placement, training, development, wages and benefits etc. Employee's contribution is the money value of the employee's service, which can be measured by labor productivity or value added by human resources. Cost of human resources may be taken as standard. Employee's performance can be measured in terms of employee contribution to the organisation. Employee's performance can be taken as positive when contribution is more than the cost and performance can be viewed as negative if cost is more than contribution. Positive performance can be measured in terms of percentage of excess of employee contribution over the cost of employee. Similarly, negative performance can be calculated in terms of performance of deficit in employee contribution compared to the cost of the employee.

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4. **Management by Objectives:**

Although the concept of management by objectives was advanced by Peter F. Drucker way back in 1954, it was described only recently as the larger range in performance appraisal. Refinements brought about by George Odione, Valentine, Humble and others have enriched the concept and made it more acceptable all over the globe as an appraisal technique. During the last decade, about 50 organizations have adopted MBO in their work settings.

MBO is a 'process whereby the superior, subordinates and managers of an organisation jointly identified its common goals, defined each individual's major areas of responsibility in terms of results expected of him and used these measures as guides for operating the unit and assessing the contribution of its members. Thus, MBO focuses attention on participative set goals that are tangible, verifiable and measurable. The emphasis is on participative set goals that are tangible, verifiable and measurable. The emphasis is on what must be accomplished rather than how it is to be accomplished. Generally, the MBO process is undertaken along the following lines:

The subordinate and superior jointly determine goals to be accomplished during the appraisal period and what level of performance is necessary for the subordinate to satisfactorily achieve specific goals. During the appraisal period, the superior and subordinates update and alter goals as necessary due to changes in the business environment. Both superior and subordinate jointly discuss whether the subordinate has achieved the goals. If not, they should identify the reasons for deviation, e.g. strike, lockout, market change etc. New goals and performance objectives are determined by the superior and employee for the next period based on performance levels.

In traditional approaches to performance evaluation, personal traits of employees are often employed as a criterion for appraising performance. The evaluators generally assume the role of judges drawing distinctions between good and bad performance. With MBO, the focus of the appraisal process shifts from the employee's personal attributes to job performance. The supervisor now plays a supportive role. He tries, on day to day basis, to help the employee reach the agreed-upon goals. He counsels and coaches. Also, the employee's role evolves from that of a bystander to that of active participants. He plays a key role in setting the standards and determining the measurement scheme. Individuals establish goals with their superiors jointly and then are given some latitude in the means used to achieve their objectives. At the end of the appraisal period, the employees and supervisors meet for an appraisal interview. They review first the extent to which the goals have been accomplished and second, the actions needed to solve remaining problems. Since the superiors keep communication channels open throughout the appraisal period, the employee gets an opportunity to work in a give-and-take atmosphere. The

problem-solving discussion that takes place during the appraisal interview is primarily designed to help the employees in progressing according to the plan, to learn from mistakes and develop. One of the unique features of MBO is that goals are determined before the appraisal period begins. Previously discussed methods of appraisal focus on performance. Thus, the MBO process is developmental in that it directs employees to move in desired directions and reach the expected level of achievement.

Quite often, while assessing MBO as an appraisal tool, people comment that MBO is okay in theory but not good in practice. There is an element of truth in this statement. In practice, all leadership styles may not be compatible with the participative culture advocated by MBO. The reward punishment psychology differentiates between star performers and poor performers constantly forcing employees to improve their performance day in and day out. All jobs do not fit in with the philosophy advocated by MBO. An assembly line worker, for instance, usually has so little job flexibility that performance standards and objectives are already determined. Finally, it is not easy to make a comparative assessment of multiple personnel working in an organisation. In traditional appraisal techniques, all personnel are rated on common factors. In MBO, each person will have different sets of goals of non-compliance, complexity and degree of accomplishment.

5. **Psychological Appraisal:**

Psychological appraisal is conducted to assess the employee potential. Psychological appraisal consists of (a) in-depth interviews, (b) psychological tests, (c) consultations and discussions with the employee, (d) discussion with the superiors, subordinates and peers and (e) reviews of other evaluations. Evaluation is conducted in the areas of (a) employee's intellectual abilities, (b) emotional stability, (c) motivational response, (d) reasoning and analytical abilities, (e) interpretation and judgment skills, (f) sociability, (g) employee's ability to comprehend the events, and (h) ability to foresee the future. The psychological appraisal results are useful for decision-making about (i) employee placement, (ii) career-planning and development, and (iii) training and development.

6. **360 Degree Appraisal:**

360 degree appraisal is basically Multi-Rater Appraisal and Feedback System, where an individual is assessed by a number of assessors including superiors, subordinates, peers, internal customers and external customers. In this system, a candidate is assessed periodically — normally once a year but sometimes even half yearly. The assessment is made on a questionnaire specially designed to measure behaviors considered as critical for performance. The appraisal is done anonymously by the persons concerned and the assessment is collected by official of the HRD department. The assessment is consolidated and feedback profiles are prepared and given

to the participant after a workshop or directly by his boss or the HRD department in performance review discussion session. Due to innumerable variations possible in 360 degree Feedback and appraisals and its potency as a competency identification and development tool, it is important to understand the process and its dynamics.

Objectives of 360 Degree Feedback:

It is possible to aim at the following through a 360 degree feedback system:

- Insights into the strong and weak areas of the candidate in terms of effective performance of roles, activities, styles, traits, qualities, competencies (knowledge, attitudes and skills) and impact on others.
- Identification of developmental needs and preparing development plans more objectively in relation to current or future roles and performance improvements for an individual or a group of individuals.
- Data generation to serve as a more objective basis for rewards and other personnel decisions.
- Reinforcement of other change management efforts and organization effectiveness directed interventions. These may include TQM efforts, customer focused or internal customer satisfaction, enhancing interventions, flat structures, quality enhancing and cost reducing interventions, decision process changes etc.
- Basis for performance-linked pay or performance rewards.
- Alignment of individual and group goals with organizational vision, values and goals.

Advantages of 360 Degree Feedback

360 degree appraisal systems have certain advantages. These advantages are not substitutes for those of traditional appraisals but are in addition to them.

- It is more objective than a one-person assessment of traits and qualities. It adds objectivity and supplements the traditional appraisal system. It provides normally more acceptable feedback to employee.
- It can serve all the purposes served by the traditional appraisal system such as identifying the developmental needs, reward management, performance development etc.
- It helps focus on internal customer satisfaction.
- It has the potential of pointing out the supervisory biases in the traditional appraisal systems.
- It is a good tool for enhancing customer service and quality inputs and service to internal customers.
- It provides scope for the candidate to get multiple inputs to improve his role, performance, styles and ideas and enhances the acceptability of the individual.
- It is more participative and enhances the quality of HR decisions.

- It is suitable for new organizational culture being promoted by most world class organizations (participative culture, learning culture, quality culture, competency -based performance culture, team work, empowering culture, leadership culture)



Check your Progress 2

Fill in the blanks.

1. 360 degree feedback method is also known as _____
2. Essay appraisal method is also known as _____



Summary

- Performance Appraisal is the process to let the employee know his strengths and weaknesses in his performance.
- Performance Appraisal is necessary to understand each employee's abilities, competencies and relative merit and worth for the organization.
- Performance Appraisal rates the employees in terms of their performance.
- Performance Appraisal should be viewed as a beneficial process within the context of an effective system of human resource management.
- Performance Appraisal is essential to measure the performance of the employees and the organization to check the progress towards the desired goals and aims.



Keywords

- **Performance appraisal:** It is a formal exercise in which the organisation makes an evaluation of the performance of its employees in terms of contributions made towards achieving organisational objectives and their personal strengths and weaknesses.
- **Management by Objectives:** MBO is a process whereby the superior and subordinate managers of an organisation jointly identify the common goals, define each individual's major areas of responsibility in terms of results expected of him and use these areas as guides for operating the unit and assessing the contribution of its members.



Self-Assessment Questions

1. Explain the term performance appraisal.
2. Describe any two traditional methods of performance appraisal.
3. What are the BARS methods of performance appraisal?
4. What is Management by Objectives?

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Answers to Check your Progress**Check your Progress 1****Multiple Choice Single Response**

1. Which of the following statements about performance appraisal is not true?
 - iv. Performance appraisal reduces managerial control.

Check your Progress 2**Fill in the blanks.**

1. 360 degree feedback method is also known as free form method.
2. Essay appraisal method is also known as multi-rater feedback.

**Suggested Reading**

1. Rao T.V.: A Performance of Human Resource Development Function in Indian Organizations
2. Sadananda Prusty: Performance Management System on Develop of Human Resources

Career and Succession Planning

UNIT

8

Structure:



- 8.1 Introduction
- 8.2 Career Planning
- 8.3 Features of Career Planning
 - 8.3.1 Career Development Cycle
 - 8.3.2 Career Need Assessment
 - 8.3.3 Career Opportunities
 - 8.3.4 Need-Opportunity Alignment
 - 8.3.5 Plateaued Employees
 - 8.3.6 Remedial Features
 - 8.3.7 Model for Planned Self-Development
- 8.4 Succession Planning
- 8.5 Features of Succession Planning
 - 8.5.1 Time Frame
 - 8.5.2 Promotion from Within
 - 8.5.3 Unexpected Succession
 - 8.5.4 Doppelganger's Phenomenon
 - 8.5.5 Responsibility of Management Succession

Case Study 1

Case Study 2

Summary

Keywords

Self-Assessment questions

Answers to Check your Progress

Suggested Reading



Objectives

After going through this unit, you will be able to:

- Explain the concept of career planning and succession planning
- State the importance of career planning
- Evaluate the role of succession planning in the effective functioning of an organisation

8.1 INTRODUCTION

Organisational survival and growth are the most important responsibilities of the top management of all organisations. This responsibility can best be fulfilled by planning management succession to ensure the availability of the right kind of management staff at the right time and in the right positions to provide for continued organisational vitality and strength. Unfortunately, succession planning does not get the attention it deserves. This is mainly because of insecurity of managers, who see a threat in any nominated successor. It is also because of the manager's desire to cling to his chair as long as possible. In one organisation, the joke making rounds was that managers came in vertically and went out horizontally. It meant that they left the company only when they died.

Career planning involves efforts on the part of the organisation to provide avenues for growth to its employees. Certainly this growth should be accompanied by development. The other side of the coin is the role of employees in career planning. It involves efforts on the part of the employees to clearly think through and decide areas in which they would like to make a career for themselves.

8.2 CAREER PLANNING

Research studies have indicated that certain attitudes formed early in life guide people throughout their career. They are called career anchors. They "anchor" an individual to one or a few related types of careers.

Five career anchors have been identified. They are:

1. **Managerial competence:** The fundamental characteristics of the persons anchored by an overriding interest in management include a capacity to take considerable responsibility, ability to influence and control others and have skills in problem solving.
2. **Technical-functional competence:** Their primary interest is in the functional work. They consider managerial and administrative responsibilities as avoidable irritants. They will like to remain experts rather than become general managers.

3. **Search for security:** They are more attached to an organisation or a location than to work. They do not want to hear anything against their organisation. The only price to be paid by the organisation is to keep them at the location of their choice.
4. **Desire for creating and developing something new:** Such individuals start a new business, less for making money than for creating a product that could be identified as theirs.
5. **Freedom or independence:** They will like to work at their own pace. They will like to choose their working hours. Freelance writers and consultants come under this category. Knowledge of these career anchors helps in planning for career development.



Check your Progress 1

Match the following.

- | | |
|-------------------------------------|--|
| i. Freedom or independence | a. Capacity to take considerable responsibility, ability to influence and control others and have skills in problem solving. |
| ii. Search for security | b. Primary interest is in the functional work. |
| iii. Managerial competence | c. Work at their own place and choose their own working hours. |
| iv. Technical-functional competence | d. Creating a product that could be identified as theirs. |
| v. Creativity | e. More attached to an organisation or a location than to work. |



Activity 1

Make a list of efforts you have taken for your career planning.

8.3 FEATURES OF CAREER PLANNING

Some important features of career planning are discussed below.

8.3.1 Career Development Cycle

Career development cycle is an important part of career planning. It discusses one's experiences in a given organisation from joining to growth to quitting in relation to one's pre-determined career plan and modifications therein.

There are the following four stages of this cycle:

1. **Exploratory stage:** This stage starts when a new employee joins an organisation. He gets a real shock. He finds a big gap between what an ideal

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organisation should be and what it is. He finds that neither the education in the university nor the induction programme of the organisation is able to prepare him fully for the job at hand. Alternatives for the initial training include a “swim or sink” approach, full-time training with no job responsibility and worthwhile training. However, the sooner the trainee is given a definite job assignment, the more rapidly he will develop.

2. **Establishment stage:** Once an individual has chosen a career, he requires regular feedback on his performance. A good career development plan should provide this feedback. The first performance appraisal, the first promotion and the successfully completed assignment are all very important occasions for a young employee.
3. **Maintenance stage:** In this stage, employees try to retain the name they have established in their career. In a fast changing world, this will require continuous efforts at self-development. This is the stage where many face their mid-career crisis. Some start an entirely different career. In one case, an executive took to journalism at the age of 40 and he was quite successful.
4. **Stage of decline:** Impending retirement scares everybody. But, it is almost inevitable. Some planning for retirement can ensure smooth transition. Many organisations conduct training programmes for their retiring employees.

8.3.2 Career Need Assessment

Employees are often uncertain as to the type of work that would suit them best. There are a number of evaluation instruments available to determine basic aptitudes. Human resource development managers should be able to guide employees by administering these instruments to them. Employees should think whether they value prestige, independence, money or security. They should also find out whether they are loners or socially active. These exercises with some assistance from HRD managers should help in career need assessment.

8.3.3 Career Opportunities

Realising that employees have definite career needs, organisation should chart different career paths. Several examples of such career paths chartered by a large public sector organisation have been given in this unit. These should be made known to all employees. As every employee wishes to see a bright future for himself, these career paths do provide the hope to achieve success.

Additionally, the employee wants to know what types of jobs are available in the near future as well as in the medium and the long range. Such information should be provided to all employees. Similarly, promotion routes should be made public. They should not be kept secret. Openness should be the hallmark of an effective organisation in this area.

8.3.4 Need-Opportunity Alignment

When employees have assessed their career needs and have become aware of organisational career opportunities, the problem is one of alignment. The crucial

role has to be played by HRD in ensuring this alignment to build up morale in the organisation. A systematic choice of development techniques like training, special assignment, counselling and rotational assignments should be made to ensure this alignment.

8.3.5 Plateaued Employees

At a certain stage, the upward mobility stops for many employees. This is inescapable in view of pyramid organisational structure. This phenomenon is called plateauing. It takes place around the age of 40. Some suggested measures to deal with such employees are:

- i. Mentors could be assigned the task of altering expectations of such employees. Depending on the maturity of such mentors, good results can be achieved in assuaging the hurt feelings of plateaued employees.
- ii. Additional career ladders could be established to retain some valuable resource.
- iii. Giving them importance by assigning them to some important task force or committee.
- iv. Assisting them to choose a new career. Some organisations assist their plateaued executives to start their own business.

One of the PSUs had developed career path models for the following major disciplines:

- Sales
- Technical services
- Operations
- Engineering
- Aviation
- Liquefied petroleum gas
- Finance
- Personnel

It was observed that career path models had not been drawn for disciplines, such as materials, public relations, training, etc. It was decided by this organisation that these departments would draw manpower from eight major disciplines as mentioned above.

The career path models had been evolved to provide direction to the career progression of officers. It formed the basis for placement, transfer and rotation so that the officers are prepared for higher responsibilities progressively and the experience they gain becomes cumulative rather than respective. It was aimed to have 10 years experience on a continuous basis and not one year's experience repeated 10 times. These career path models were finalised after extensive consultations and discussions within the organisation.

The most distinguishing features of these career path models were the stress on job rotation and testing the incumbent in a different environment to enhance his coping capability before giving him a higher position in the hierarchy.

8.3.6 Remedial Features

In addition to the above-mentioned features, there might be some other situations that demand some remedial initiatives to be taken by the management to retain good people in the industry.

1. **Development grade:** One organisation in the private sector had executive turnover as its most serious problem. Its policy of recruiting a large number of high-fliers with professional qualifications, giving higher responsibilities at a younger age and good demand for such young professionals outside had contributed this turnover making its recruitment department work hard to fill vacancies caused by separations. The usual gossip in the cafeteria centred on these resignations.

Development grades below the management cadre were created to spot talent from within and promote them to this grade for their planned development. It was felt that such a move would lead to reduction in overall executive turnover and the consequent adverse impact on the organisations.

The salient features of this scheme are as below:

- Nobody would be promoted straightway from staff cadre to management cadre. All promotions would be made to this development grade.
- All promotions to this grade were through the assessment centre. It must be admitted that the assessment centre was only a watered-down version of a real one.
- The selected staff for this grade would remain there only for two years. The first year was earmarked for classroom training inputs and the second year for testing on a management cadre job.
- On successful completion of these two years, each candidate had to be cleared once again by the assessment centre before being promoted to the management cadre position.

While the scheme was conceptually good, it did face some problems from power centres that were used to giving rewards based on personal loyalty of the candidate rather than his talent. It has taken about three years for the system to stabilise to a great extent.

2. **Officiating assignment:** Howsoever sophisticated recruitment or promotion mechanism may be, unless the person is tested on the actual job it cannot be said with certainty that a right decision has been made. Therefore, giving officiating assignment to a subordinate when the boss goes on long leave, on long training, etc. is good mechanism of career planning by periodically testing the individual on the higher job.

3. **Understudy:** An understudy learns the job through carefully watching the manager to whom he is a understudy. He remains in close touch and acquires the knowledge and skills through observation and practice under the overall guidance of the manager.
4. **Business group:** This method of structuring large organisations has been found to be very useful for developing general management capability in executives. Under this structuring, business groups are treated as profit centres. One of the problems of today's organisations is the division of organisations on a functional basis. This presumably has been followed from the government – one of the oldest forms of organisation that is divided on functional basis like Finance, Home, Defence, Agriculture, etc. So we have the functions of marketing, production, finance and personnel in a business organisation. The very nature of business makes it inevitable that the different functions are interdependent. However, specialisation has increased to such an extent that the people in different functions wear blinkers when it comes to dealing with other functions. Each function develops its own special interests, priorities and its own jargon, making effective communication very difficult, if not impossible. This lack of appreciation of the constraints of other departments leads to conflict. The marketing manager, for example, would like to have a wide variety of products to offer customers, which would necessitate shorter production runs. The production manager will prefer longer production runs to cut down on set up time and production costs, but this will imply minimum product variety. The situation is ripe for conflict. Often, divisional/departmental goals take precedence over the interest of the company affecting overall organisational effectiveness.

To minimise the incidence of such problems and to inculcate a broader perspective, the the concept of business group seems ideal. A business group has under it different functions like marketing, production and finance with a general manager in overall charge. He will be responsible for the total business.

This will provide the business group head with training in general management. This will also highlight the importance of mutuality of interests and the importance of team work to other managers developing them as “businessmen” rather than professionals specialising in a particular functional area. Any executive earmarked for taking up a top corporate position should be made to head a business group for at least three years as part of his career plan.

5. **Foreign assignment:** Some organisations have successfully experimented with dovetailing a foreign assignment in the career path model. This has several benefits:
 - Lack of opportunity in one country does not come in the way of career progression.
 - The individual is tested in an alien environment. This increases his coping capability.
 - He is trained to see the business in a global context.

6. **Specialised training:** Depending on the career path model of the manager, some specialised training inputs are given at pre-determined times to make him more adept in handling the new higher assignment. One of the multinational organisation planning a politically controversial project in a developing country trained the chief executive designate in how to hold a press conference before he was sent on the assignment, as the press was very powerful in that country.

The role of the organisation in career planning is to introduce and strengthen systems to ensure career progression of employees. At the same time, it should be ensured that inputs are given to them so that they succeed in their higher assignments.

7. **Facilities for self-development:** The organisation should also create a climate for self-development. Some of the facilities provided in this area by one organisation are as follows:

- A well-stocked library at head office, branches and plants.
- Reimbursement of fees in passing any examination relevant to the job held.
- Liberal facilities for attending conferences, seminars, etc.
- Reimbursement of membership fees for joining a professional body.

All organisations may not be in a position to provide opportunities for development. It is therefore, the individual's responsibility to constantly strive for his self-development. He must make consistent efforts at self-development so that his development is more rapid than the level of growth reflected in his formal position in the organisation. His effort at self-development must be even more intense when his growth in the organisation is very rapid. This will ensure a healthy balance between growth and development. Individuals can adopt the practical model given below for self-development.

8.3.7 Model for Planned Self-Development

Every employee should formulate an action plan for self-development. This plan has to be related to the career goal of the individual. Steps of this action plan are discussed below:

1. **Success formula:** What ensures on-the-job success in an organisation? Success is a function of the following three factors:
 - i. **Job responsibilities:** Are you clear on what job responsibilities you have? How well are you discharging these responsibilities?
 - ii. **Leadership qualities:** Your success will not depend only on how well you are discharging your job responsibilities. It will also depend on how good a leader you are!
 - iii. **Relationships:** The third factor for success is whether you are able to maintain good relationships with your boss, your peers and your subordinates. A good relationship means a functional and objective relationship. It should be based on mutual respect.

2. **Self-evaluation balance sheet:** An evaluation of where you stand on the above-mentioned three factors will be a good starting point for marketing plans for success. A pre-requisite for the success of this exercise is being true to you. An exaggerated notion about you will be as dysfunctional as a poor self-image; being objective in the evaluation will ensure formulation of a correct plan. Assistance of a friend, colleague, boss or even a subordinate could be fruitfully utilised, provided he is objective and genuinely interested in your development. Factors of this balance sheet are discussed below.

First Factor: Job responsibility

As per this step, the employee should write down 8–10 major job responsibilities he has. This will require talking to his boss and thinking clearly about his job. Once he is able to decide about his responsibilities, the employee should rate himself on a 5-point scale depending on how he feels he is discharging each of these responsibilities.

Example

Manager's Responsibilities	Excellent (A)	Very Good (B)	Average (C)	Below Average (D)	Poor (E)
i. Coordinate training programmes					
ii. Take sessions in courses					
iii. Finalise managerial recruitment in time					
iv. Keep costs within budget					
v. Maintain good organisational communication					
vi. Handle personal relations					
vii. Publish house journal					
viii. Prepare quality handouts					

Second Factor: Leadership qualities

Leadership is difficult to define, but easy to appreciate. Some leadership qualities have been identified. As you did with your job responsibilities, rate yourself on each of these leadership qualities.

Notes

Manager's Responsibilities	Excellent (A)	Very Good (B)	Average (C)	Below Average (D)	Poor (E)
i. Technical competence					
ii. Effective intelligence					
iii. Personal integrity					
iv. Potential for growth					
v. Administrative skills					
vi. Sound education					
vii. Good communicator					
viii. Motivator					
ix. Innovator					
x. Initiator					
xi. Continuous self-development					
xii. Decision-maker					

Third Factor: Relationships

Promising careers may be cut short because of poor relationship with one's boss. The growth of employees may be seriously hampered because of poor relationships with peers, subordinates, clients and customers. A similar evaluation is necessary for this factor.

Manager's Relationships	Excellent (A)	Very Good (B)	Average (C)	Below Average (D)	Poor (E)
i. Boss					
ii. Peers					
iii. Subordinates					
iv. Clients					
v. Trade					
vi. Union leadership					
vii. Government					
viii. Public					

On the basis of these three evaluations, it is now possible to prepare the self-evaluation balance sheet.

All factors rated A and B, i.e., Excellent and Very Good constitute assets of the individual. Factors rated as Average (C), Below Average (D) and poor (E) constitute liabilities of the individual.

It is important to note that no self-evaluation balance sheet contains only assets or only liabilities because everybody has some assets and some liabilities.

Self-Evaluation Balance Sheet

Assets

Job

Coordinate Training

Programs

Keep costs within budget

Communication

Publish House Journal in time

Leadership Qualities

Technical Competence

Effective Intelligence

Personal Integrity

Sound Education

Innovator

Initiator

Relationship with

Boss

Subordinate

Union Leadership

Govt.

Public

Liabilities

Responsibilities

Take Session in Courses

Finalize managerial recruitment timely

Prepare quality handouts

Potential for growth

Administrative Skills

Good Communicator

Motivator

Continued Self-development

Decision maker

Peers

Clients

Trade

Notes

What do you do next? There are assets and liabilities of each individual. What do you do with the assets and what do you do with the liabilities? Which liability or liabilities should receive your first priority? Some thumb rules are:

- Build your career on your assets.
- Make out a time-bound plan to work on your liabilities.
- Choose first the liability that is hindering your growth and progress the most, then the next important liability hindering your growth and so on.
- Make “working on your liabilities” your life-long mission. Then and only then will you be on the path of self-development. After some time, you will start enjoying the process. No investment will give you as high a return as the one in self-development.

Efforts must be made in a systematic manner to produce results. Unless a time-bound programme is prepared, self-development is unlikely to occur. How such efforts can be made systematically is explained with the help of two examples. The first example relates to improvements in oral communication and second to improvements in relationship with the boss.

Example One: Improving my oral communication Convert into screen shots later

Activities	Target date to complete
Take a Course in Public Speaking	December 10
Read the book 'Quick and easy way to Effective Speaking By Dale Carnegie	Three times during October, November and December each
Listen to self on a Tape-recorder	By December
Increase word power By doing crossword Puzzle to completion	Twice a week till February end
Give short speech	By March end

Example two: Improving my relationship with my boss.

Activities	Target Date to Complete
See the film "Managing Your Boss"	October 5
Analyze boss' Leadership style through observation	November 15
Modifying my actions and communication compatible with the leadership style of my boss	December 30

**Check your Progress 2****Multiple Choice Multiple Response.**

1. The stages of career development cycle include:
 - i. Exploratory stage
 - ii. Establishment stage
 - iii. Development stage
 - iv. Maintenance stage



Check your Progress 2

2. Some thumb rules for deciding which liabilities should receive your first priority are:
 - i. Build your career on your assets.
 - ii. Do not make a time-bound plan to work on your liabilities.
 - iii. Choose first that liability which is hindering your growth.
 - iv. Make “working on your liabilities” your life-long mission.
3. Following are some measures to deal with plateaued employees:
 - i. Establish additional career ladders.
 - ii. Assign them to some important task force or committee.
 - iii. Assist them to choose a new career.
 - iv. Assign mentors the task to raise the expectations of such employees.



Activity 2

If you were the personnel manager of your company, how would you help your employees to assess their career needs?

8.4 SUCCESSION PLANNING

Succession planning is a process for identifying and developing internal people with the potential to fill key business leadership positions in an organisation. Succession planning increases the availability of experienced and capable employees prepared to assume these roles as and when they become available. The process involves the following steps:

1. As a first step, management staffing plans should be developed. These plans should be prepared on an individual basis for all anticipated needs in the immediate year ahead and for key positions, the intermediate and long-range future. The potential forecasts and overall manpower market forecasts should be reviewed and considered. The business plans should be reviewed to determine their effect on managerial needs. As business plans for both the near and the long term are developed, the organisational plans and human resources forecasts should be formulated. Both of them can then be dovetailed into the staffing plans.
2. The second step concerns staffing and development. Staffing includes recruitment, selection and placement of candidates from outside, as well as selection and movement of present employees through promotion

Notes

and transfer. Development of managerial personnel should be ensured through approaches, such as formal training, both within the organisation and outside, planned job rotation, performance planning and appraisal, counselling and coaching.

3. The third step concerns creation of a congenial environment, where people give their best. The organisational environment should ensure the retention of the most desirable employees. In case the nominated successor quits, the whole exercise will have to be repeated. This will be a costly exercise.
4. The fourth step consists of doing appraisals. Appraisal and analysis of results achieved should provide an organisation with essential feedback on the performance of managers. Potential appraisal done separately will provide feedback on the potential of these managers.
5. The last step in the succession planning exercise is the preparation of management resource inventory consisting of the following:
 - Personal data
 - Performance
 - Potential
 - Skills
 - Career goals
 - Career plans

This should help identify the best-qualified employees for filling present and future managerial vacancies.



Check your Progress 3

Fill in the blanks.

1. Business plans should be _____ to determine their effect on managerial needs.
2. The organisational _____ should ensure the retention of the most desirable employees.
3. _____ and analysis of results achieved should provide an organisation with essential feedback on the performance of managers.
4. The second step of succession planning concerns _____ and development.
5. The last step in the succession planning exercise is the preparation of management resource _____.



Activity 3

If you were the personnel manager of a company, what succession plan would you design for a supervisor and an accounts assistant?

Notes

8.5 FEATURES OF SUCCESSION PLANNING

Many business leaders recognise succession planning as a critical component in a company's long-term growth, but still many organisations lack a robust and up-to-date plan for grooming or recruiting talent. Succession planning can help save a company time, money and a huge headache caused by efforts to replace key individuals quickly. Some features of succession planning are discussed below.

8.5.1 Time Frame

Succession planning is done in three time frames:

Immediate	:	Within 1 year
Intermediate	:	1 year to 5 years
Long range	:	Beyond 5 years

Organisations gear most of their management succession activities towards the immediate future. This is mainly because it is integrated closely with the annual budgets and business plan. However, the real succession plan should be geared towards intermediate and long-range time frame.

8.5.2 Promotion from Within

Familiarity breeds contempt. It is so true in the corporate sector. Whenever a vacancy comes up because of some manager retiring or resigning, top managers always think of bringing somebody from outside. They have so little faith in their own people and so much of it in outsiders. Headhunters are called in to locate managers from competitors to succeed the retiring manager. What is the outcome of such an approach?

There are several adverse impacts on the organisation. Firstly, managers lose faith in the fairness of the top management. The moment this feeling takes root in the minds of managers in general, the productivity of the organisation suffers. Secondly, many managers directly affected by the induction of a manager from outside, decide to separate from the company rather than helplessly watch the injustice done to them. In the short run, it means increase in the recruitment, induction and training costs.

In the long run, it may mean fewer suitable candidates applying for jobs in the organisation. In the absence of talent, the organisation gets caught in the mediocrity trap and its long-term growth and prosperity are hampered. Thirdly, many a time a kind of a war starts in the organisation to oust the "outsider".

Caselet

It happened sometime back in a very prestigious and professionally managed organisation. In the absence of a succession plan, the Chief Executive was brought in from another professionally managed organisation. There were competent managers within, but they were not considered. It was a high-profile recruitment finalised by an international selection committee after global advertisements. The candidate selected was really a brilliant one. He was an excellent leader. He could make an impact in no time. However, his brilliance itself unleashed forces within the organisation. It was first these top managers, who had missed the opportunity of becoming the Chief Executive, starting subtle rebellion. When the intensity of these rebellious forces intensified, the boss of this newly inducted Chief Executive, who was instrumental in bringing him, joined these forces. And this talented Chief Executive left. The rebellious top managers have been rewarded through promotions for staging the coup. The Chief Executive has started a new company and is doing well. Everybody has gained except the poor organisation, which has remained stagnant. Its growth has been stifled. It has virtually lost the race to be in the big league. The organisation still continues to be divided in two camps. The gang wars have stopped but some skirmishes do take place from time to time. After every such incident, a few talented senior managers leave, further depleting the already depleted talent pool of the organisation.

Remedial measures by organisations

What remedial measures could be taken by organisations? The most important step that could be taken is to start succession planning.

The simplest way of starting this is to identify critical positions. The thumb rule is that 10% of all managerial positions are critical positions. Once that has been done, it would be advisable to have at least two identified successors for each critical position. Time and resources should be invested in these successors, so that they are well groomed up when the time comes for taking up the higher assignment. The investment could be in the form of rotational assignment and training and development inputs. Their development and the consequent preparedness should be closely monitored at the highest level in the organisation. Any gaps in training and development should be carefully filled up. A prepared successor should never be allowed to wait by giving deserved or undeserved extensions to present incumbents.

8.5.3 Unexpected Succession

Planned succession is only one part of the solution. There may be occasions when a vacancy comes up unexpectedly. Should the organisation go out to tap the talent? The answer should be in the negative. It would be interesting to know what Robert Townsend, an American business executive and author, has to say on this.

“Most management complain about the lack of able people and go out to fill key positions.

I can use the rule of 50%. Try to find somebody from inside the company with a record of success (in any area) and with an appetite for the job. If he looks like 50% of what you need, give him the job. In six months, he will have grown the other 50% and everybody will be satisfied.

How to do it wrong? Go outside and get some expensive guy who looks like 110% of what you want and a year later after having raised salaries all around him, you will still be teaching him the business. The people around him will be frustrated and ineffective.

One of the keys is to pick someone from within the company who has a well-deserved reputation as a winner but not someone who looks to you as a potential winner but does not happen to fit in very well where he is.

The organisation will rally around an accepted winner, even when he is temporarily over his head, because in their eyes he deserves the change. The phony who conned you into giving him the job will go down for the third time and pull down everybody else he can reach.”

This 50% rule is worth remembering and implementing. There is no point in calling up the headhunter in panic to fill up a managerial position when it crops up unexpectedly. It is worthwhile looking at the existing managers. Is there somebody who looks 50% of what you need or what the job demands? If yes, give that insider the job and save the organisation from needless turbulence.

8.5.4 Doppelganger’s Phenomenon

In a research conducted in the US, it was found that many chief executives chose assistants and successors who resembled them not in ideas and attitudes but also in height, stature and dress. Things are no different in India. Here, not only chief executives but also other managers prefer to choose their “look-alikes” as their assistants and successors. A chartered accountant wants another chartered accountant as his assistant. An MBA takes another MBA as his deputy. It does not end with qualifications, it extends to institutions. Managers start choosing their assistants from the institute where they had their own education. This is called doppelganger’s phenomenon in organisation. The meaning of doppelgangers is “ghostly doubles”.

In one organisation, the campus recruitment teams were required to note whether those selected “looked like us”. In another, the team was told to select those who would fit into our culture. It was only a sophisticated way of saying that they were in search of “look-alikes”.

Warren Dennis in his book on leadership writes about the reasons for this trend. He also highlights problems associated with this phenomenon. He says:

The desire for a congenial and closely knit management group is quite human and even understandable. The sheer size of an organisation makes it possible for the top people to verify their own information, analyse their own problems, and decide who they should spend their time with. They have to rely on their assistants to double for them in certain instances, and so, to a degree those assistants should be of similar minds and compatible natures. Assistants are the inevitable products of big business and are indispensable, but since they

control access, there are two problems inherent in the system. Firstly, the things the boss needs to know and the people the boss needs to see maybe kept from him or her by overzealous assistants either out of eagerness to protect the boss or out of simple ignorance. Secondly, they may, in the same spirit, exercise more authority than they have.

This can lead to a dangerous situation in any organisation. Therefore, managers must surround themselves with people who can recognise the truth when they can see it and convey it to their bosses whether they want to hear it or not. This is very important in the case of a chief executive because what he does sets the tone for the whole organisation.

The chief executive should remain away from the doppelganger effect. Loyalty and similarities of views are very comforting. However, this is quite dangerous. Assistants and successors should be as diverse in viewpoint and background as possible. In addition, they should have the courage of conviction. They should have the courage to tell the bad news. They should have the courage to differ from the boss and the predecessor.

The best succession plan in the corporate world in India has been in a multinational organisation. Its first Indian chairman was a chartered accountant, the second a chemical engineer, the third an industrial engineer, the fourth a research scientist and the fifth a technologist.

8.5.5 Responsibility of Management Succession

Management succession is an important function of the top management. It is a direct responsibility of the Chief Executive Officer (CEO) and the top management group. In carrying out this responsibility, the top management group must guard against a normal bias, i.e., the tendency to give preference to the people who are similar to themselves in background and thinking. This is a human tendency, but it can present a serious organisational problem – conformity that can seriously inhibit adaptability, innovation and growth potential. A premium must be placed on diversity in experience, education, interests and temperament.

The chief executive plays the key role in the succession planning. He has the ultimate responsibility for seeing that this important need of the enterprise is met. He should ensure that the system functions not only with efficiency but with integrity and fairness. In no phase of business life is integrity as important as in making decisions on promotion.



Activity 4

1. Suppose in your department, a colleague has been promoted from within while a new person has been hired from outside for another position. Make a list of the reactions of the employees from the department on both the individuals and their working styles.
2. Try to find an instance of the doppelganger's phenomenon in your organisation or any other organisation you know. Write a note on the same.



Check your Progress 4

Multiple Choice Single Response.

1. The adverse effect on the organisation because of induction of a manager from outside is:
 - i. Managers gain faith in the fairness of the top management.
 - ii. The productivity of the organisation increases.
 - iii. Managers directly affected by the induction of a manager from outside, decide to separate from the company.
 - iv. Many suitable candidates apply for jobs in the organisation.
2. The reasons for doppelganger trend is:
 - i. The desire for a uncongenial and losely knit management group.
 - ii. The sheer size of an organisation makes it possible for the top people to verify their own information, analyse their own problems, and decide who they should spend their time with.
 - iii. Managers rely on their assistants to double for them and so, to a degree those assistants should be of dissimilar minds and incompatible natures.
 - iv. Assistants are the inevitable products of big business and are dispensable.



Case Study 1

This case study shows the positive aspect of succession planning.

Hindustan Lever has done commendable work in the area of succession planning. In this exercise, the top management is fully involved. Prakash Tandon, the first Indian Chairman says; “Unilever in London suggested that on the assumption that I stayed as Chairman for 10 years till the retiring age of 60, would I like to project how I saw the board manned over the decade and my likely successor.”

Thus, began the process of 10-year succession plan for himself, which Tandon ultimately saw growing into the pipeline that would provide his successor’s successor. From a 10- year perspective, he enlarged it into a 30-year succession plan.

The first move contemplated in the plan went off successfully when Tandon decided to quit Hindustan Lever, three year ahead of his 10-year tenure to head the public sector State Trading Corporation. Vasant Rajadhyaksha who was to take over as Vice-Chairman just then, as per the succession plan, was made Chairman straightaway.

Notes

Among the other compulsions, including the danger of becoming stale and repetitive, which Tandon mentions for his handing over the stewardship of Hindustan Lever, was the thought that with his departure and retirement of Vice-president Ramaswami, the average age of Rajadhyaksha's board would drop to below 40. As Tandon puts it, "For many years I had been helping the young to rise, so that anyone who had merit got his first shot of senior responsibility in his early 30s and had a chance to make to the board in his late 30s or early 40s. The logical consequence was for the old to retire voluntarily and before their time."

Vasant Rajadhyaksha and later T. Thomas both followed the pattern of nurturing and handing over to competent successors from within. At the 1980 Annual General Meeting of Hindustan Lever, T. Thomas presented his successor to the shareholders in the course of a classic presentation on "Managing a Business in India". He said:

I became Chairman of this company in 1973 at the age of 45. So, there was distinct danger that I could look forward to a 15-year spell! But, I was more afraid of that eventuality than anyone else. So, from the end of my first year in office, I had started to prepare succession plans for myself as well as for my colleagues on the board with years of departure and succession against each name. My own departure in my mind was fixed between 1980 and 1982. I did not know at that time where I would go. Despite such an uncertain personal future, I made these plans because I knew that I would outlive my utility to this company within less than 10 years as chairman. It should be added in fairness to you as shareholders that you have never expected nor encouraged my predecessors or me to go before our normal retirement age of 60! Yet, all of us have the need for going, so that others could succeed. That has been a very good tradition in our company, and I hope our successors will keep it up.

I am very happy that today I can present to you my successor who was ultimately selected as a result of the continuing process of planning for my succession in 1974 when none of us knew where we would be in 1980!

It is obvious that the programme for induction and training of young managers is very integrally linked with career development and the succession plans at the highest level in Hindustan Lever. The HRD systems of performance and potential appraisal, training and development, find a natural framework in this total policy perspective. At Hindustan Lever, the junior-most manager is chosen with meticulous care, because the company takes him on board, not for a job, but for a career.

(Source: Human Resource Development - The Indian Experience by D.M. Silvera)



Case Study 2

Alpha C is a two-wheeler manufacturing company where Mr. Oberoi is the manager. Nearly 500 people work in the organisation and the company attracts talented professionals from the industry every time. In the next six months, five senior managerial level employees are about to retire. A team of competent and efficient workers work in the middle-management cadre. The managing director has announced about the expansion and diversification plans of the company. Many new recruits are likely to join the organisation in near future. Mr. Oberoi wants a systematic handling of the situation and therefore he consults the personnel manager to do the needful.

If you are the personnel manager, how would you visualise the future and what would be your line of action?



Summary

- Succession planning and career planning are very important for the survival and growth of the organisation.
- Career planning means efforts by the organisation for the growth and development of the employees. Certain attitudes formed in early life guide them throughout their career. These career anchors are managerial competence, technical-functional competence, search for security, desire for creating something new and freedom or independence.
- The career development cycle consists of the exploratory stage, establishment stage, maintenance stage and stage of decline. There are many instruments to evaluate the basic aptitude of people.
- Development grade, officiating assignment, understudy, business group, foreign assignment, specialised training, facilities for self-development are some of the measures to bring about improvement in performance. .
- The elements of succession planning are development of management staffing plans, staffing and development, creation of congenial environment, doing appraisals and preparation of management resources inventory.
- Promotion from within organisation increases the morale and motivation of the employees. Doppelganger's phenomenon is often observed in organisations, i.e., many top executives choose as their assistants and successors those who resemble them in ideas, attitude, education and upbringing.

Notes



Keywords

- **Career planning:** It is planning to ensure availability of the right kind of management staff at the right time and in the right positions to provide for continued organisational vitality and strength.
- **Succession planning:** It involves efforts on the part of an organisation to provide avenues for growth to its employees and also efforts on the part of the employees to clearly think through and decide areas in which they would like to make a career for themselves.



Self-Assessment Questions

1. Explain the different types of career anchors.
2. Explain the career development cycle.
3. What measures should be taken to deal with the plateaued employees?
4. What do you understand by the term succession planning?
5. Mention the time frames in which succession planning is done.
6. What are the features of succession planning?
7. What is the effect of promotion from within the organisation on the employees?
8. What is the doppelganger's phenomenon?

Answers to Check your Progress

Check your Progress 1

Match the following.

- i. – c.
- ii. – e.
- iii. – a.
- iv. – b.
- v. – d.

Check your Progress 2

Multiple Choice Multiple Response.

1. The stages of career development cycle include:
 - i. Exploratory stage
 - ii. Establishment stage
 - iv. Maintenance stage

2. Some thumb rules for deciding which liabilities should receive your first priority are:
 - i. Build your career on your assets
 - iii. Choose first that liability which is hindering your growth.
 - iv. Make “working on your liabilities” your life-long mission.
3. Following are some measures to deal with plateaued employees:
 - i. Establish additional career ladders.
 - ii. Assign them to some important task force or committee.
 - iii. Assist them to choose a new career.

Check your Progress 3

Fill in the blanks.

1. Business plans should be reviewed to determine their effect on managerial needs.
2. The organisational environment should ensure the retention of the most desirable employees.
3. Appraisal and analysis of results achieved should provide an organisation with essential feedback on the performance of managers.
4. The second step of succession planning concerns staffing and development.
5. The last step in the succession planning exercise is the preparation of management resource inventory.

Check your Progress 4

Multiple Choice Single Response.

1. The adverse effect on the organisation because of induction of a manager from outside is:
 - iii. Managers directly affected by the induction of a manager from outside, decide to separate from the company.
2. The reasons for doppelganger trend is:
 - ii. The sheer size of an organisation makes it possible for the top people to verify their own information, analyse their own problems, and decide who they should spend their time with.

Notes

**Suggested Reading**

1. Ghanekar, Anjali. 2000. *Human Resource Management, Managing Personnel the HRD Way*. Pune: Everest Publishing House.

Total Quality Management

UNIT

9

Structure:



- 9.1 Introduction
- 9.2 Features of Total Quality Management
- 9.3 Tenets of Total Quality Management
- 9.4 Elements of TQM
 - 9.4.1 Key TQM Concepts
 - 9.4.2 Need and Importance of TQM
 - 9.4.3 Problems in implementing TQM
- 9.5 Quality
- 9.6 Quality Circles
 - 9.6.1 Definition of Quality Circle
 - 9.6.2 Characteristics of Quality Circles
 - 9.6.3 Process followed by Quality Circles
 - 9.6.4 Benefits of Quality Circles
 - 9.6.5 Important Conditions of Quality Circles
- 9.7 Quality Control
 - 9.7.1 Components of Quality Control System
 - 9.7.2 Types of Quality Control
 - 9.7.3 Objectives of Quality Control
 - 9.7.4 Methods of Quality Control

Case Study

Summary

Keywords

Self-Assessment Questions

Answers to Check your Progress

Suggested Reading



Objectives

After going through this unit, you will be able to:

- Describe the features and importance of total quality management
- Analyse the key concepts of TQM
- Identify the problems in implementing TQM
- Explain the features of quality circles
- State the importance of quality circles
- Justify the need for quality audit

9.1 INTRODUCTION

The concept of quality control as a distinct discipline emerged in the United States in the 1920s. At that time, quality control was intended simply to control or limit the creation of defective items in the industrial processes. The process involved inspection of the output and then sorting the defective products from good ones. The concept of quality underwent numerous refinements. The pioneers who carried out these refinements included Shewhart, Deming, Juran, Crosby and others. As a result, a more effective management philosophy was adopted. The focus was on actions to prevent a defective product from being created, rather than simply screening it out. The philosophy also recognised that the concept of quality control need not be restricted only to the manufacturing process, but could also be applied to administrative processes and service industries.

Several management theorists expanded this idea and started using statistics to control processes, to limit variations and improve quality.

This was when Deming evolved the Total Quality Management (TQM) philosophy. He believed that everyone in an organisation should share quality. Deming recognised that most quality problems were system-induced and were therefore, not related to workmanship. Crosby later promoted the “zero defects” concept and emphasised on adherence to quality requirements and employee motivation.

9.2 FEATURES OF TOTAL QUALITY MANAGEMENT

Definition

According to Ron Collard and Gill Sivyer, “TQM is a cost-effective system for integrating the continuous quality improvement efforts of people at all levels in the organisation to deliver products and services which ensure customer satisfaction.”

TQM is the conformance to the requirements that customers expect. TQM is about building quality rather than merely inspecting defects out.

TQM is an essential approach for achieving superior performance to satisfy customers with high quality, quick delivery and low costs.

The basic features of the TQM approach are:

1. TQM is a business philosophy based upon customer satisfaction.
2. It consists of quality of design and quality of conformance to design.
3. TQM cannot be purchased and installed like any other equipment. It is like planting a garden that requires continuous care and improvement.
4. TQM believes that quality reduces cost through reduced wastage, greater productivity and increased sales.
5. TQM aims at changing the system rather than bringing change within the existing system. For this, the concern for short-term profits must be reversed.
6. TQM requires managers to produce solutions instead of merely demanding results.
7. TQM aims at improvements both in the business processes and the functional processes.

While the business processes are linked with the company goals, the functional processes are related to commands and authority structures.



Check your Progress 1

State True or False.

1. Quality is meeting or exceeding customer expectations.
2. Dr. Joseph Juran promoted the concept of “zero defects” in total quality management.



Activity 1

Write down the name of any one organisation where the total quality management concept is implemented.

9.3 TENETS OF TOTAL QUALITY MANAGEMENT

The tenets of quality movement find their roots in the concern for survival. The entire quality movement is based on the tenets given by three quality “gurus”.

1. **Dr. Joseph Juran:** According to Juran, there are no short cuts to quality. It does not happen overnight; instead, it needs to be planned. He believed that 80% of the quality problems originate from poor management. To overcome the quality problems, he prescribed the following measures:

- a) Establish specific goals to be reached.
- b) Establish plans for reaching the goals.
- c) Assign clear responsibility for meeting the goals.
- d) Base the rewards on results achieved.

2. **Dr. W. Edwards Deming:** Dr. Deming believed that quality management should be pervasive and should not focus on merely sorting good products from bad. He believed everyone in an organisation should share the responsibility for quality. He recognised that most quality problems were system induced and were therefore not related to workmanship.

He outlined the following 14 points of action to be taken on the road to total quality:

- a) Create constancy of purpose for improvement of product and service.
- b) Adopt the new philosophy of transformation in the style of management.
- c) Cease dependence on mass inspection.
- d) End the practice of awarding business on price tag alone.
- e) Constantly and forever improve the system of production and service.
- f) Institute modern methods of on-the-job training.
- g) Institute modern methods of supervision to help people on machines do a better job.
- h) Drive out fear from the organisation.
- i) Break down barriers between departments.
- j) Eliminate slogans and exhortations asking for “zero defects”.
- k) Eliminate work standards based on numerical quotes.
- l) Remove the barriers to pride of workmanship. Eliminate the rating system.
- m) Institute a vigorous programme of education and training.
- n) Create a structure in the organisation that allows everyone to work towards the transformation.

3. **Philip B. Crosby:** Crosby promoted the concept of “zero defects” and emphasised on adherence to requirements and employee motivation. According to him:

- a) Quality is conformance to requirements.
- b) The system to be used is prevention.
- c) The performance standard is zero defects.
- d) Measurement is based on the cost of quality.



Check your Progress 2

Fill in the blanks.

1. Dr. Joseph Juran felt that 80% of the quality problems originate from _____.
2. _____ facilitates improvement in the standard of goods produced with very little or no increase in the cost of production.
3. _____ provides a tool of control over the quality system itself.



Activity 2

Write down two ideas on how to drive out fear from the organisation.

9.4 ELEMENTS OF TQM

TQM emphasises a number of concepts, which support the philosophies of customer focus, continuous improvement, defect prevention and recognition, all of which share quality responsibility.

9.4.1 Key TQM Concepts

Total Quality Management is a management approach that started in the 1950s and has steadily become more famous since the early 1980s. Total quality is a description of the culture, attitude and organisation of a company that strives to provide customers with products and services that satisfy their needs as well demands . It requires quality in all aspects of the company's operations, with processes being done right the first time and defects and waste eradicated from operations.

TQM is a method by which management and employees are involved in the continuous improvement of the production of goods and services. It is a combination of quality and management tools aimed at increasing business and reducing losses due to wasteful practices.

The key concepts involved in TQM are:

- a) **Management commitment to quality:** The commitment to implement TQM has to start at the top. The commitment of the top level reflects the seriousness towards quality. The management has to be unwavering in its commitment to quality.
- b) **Focus on the customer:** The TQM philosophy is based on focus on the customer. The basic aim is to assure that customer needs and expectations are understood and met.

Notes

This philosophy can be understood with reference to the advertisement by Lee Iacocca. He once advertised that Chrysler had only three rules: Satisfy the customer, satisfy the customer and satisfy the customer.

- c) **Prevention rather than detection of defects:** This philosophy seeks to prevent poor quality rather than detecting and sorting out defects. The technologies that evolved to prevent defects are statistical process control, continuous process improvement and problem solving and systems failure analysis.
- d) **Universal quality responsibility:** TQM is based on the precept that quality is not just the responsibility of the quality control department, but is instead a guiding philosophy that everyone shares in an organisation.
It has been observed that once TQM is effectively implemented the quality control department gets smaller. This is because quality becomes everyone's responsibility and as such the need for a separate quality assurance function disappears.
- e) **Quality measurement:** TQM believes that quality is a measurable commodity and in order to improve, we need to know what the current quality levels are and we need to know what quality levels we aspire to attain.
- f) **Continuous improvement:** TQM strives for continuous improvement in all areas. This is made possible by tying in closely with quality measurement and universal quality responsibility. The essence of this element is not to find someone to blame when things go wrong, instead it aims at zeroing on the process deficiencies that allowed the problem to exist. Another significant aspect of this element is that it should not be attempted on a grand scale but pursued in small, incremental and manageable steps.
- g) **Root cause corrective action:** It is often experienced that problems continue to appear even though corrective measures have been taken. This issue is tackled effectively under TQM, since it seeks to identify the root cause of problems and implements corrective action that address problems at the root cause level.
- h) **Employee involvement and empowerment:** TQM demands employee involvement and empowerment. While employee involvement means every employee is an active participant in goal attainment, employee empowerment means providing the employees with necessary tools and authority to overcome obstacles to achieving goals.
- i) **Synergy of teams:** The problems and challenges of continuous improvement can be effectively tackled by taking advantage of the synergy of teams. Dr. Ishikawa Kaoru formalised the concept of team as a part of the TQM philosophy by developing quality circles. Dr. Ishikawa is also credited with the Cause and Effect Diagram, also known as the Ishikawa Diagram or Fishbone Diagram. With the use of this diagram,

we can see all the possible causes of any given result and identify the root causes of the imperfections.

- j) **Benchmarking:** This element involves defining competitor's best features and adopting the best practices of these organisations for one's own operation.
- k) **Inventory reduction:** This element, also known as just-in-time inventory management, originally intended to address material shortages. The ultimate impact of this concept was that as inventories grew smaller, quality improved.
- l) **Value improvement:** The essence of value improvement is the ability to meet customer expectations while removing unnecessary cost. Here, the customer receives the same level of quality for a lower cost.
- m) **Supplier teaming:** Another principle of TQM is to develop long-term relationships with a few high-quality suppliers, rather than selecting those suppliers with the lowest initial cost. The TQM philosophy believes that the lowest initial cost does not reflect the lowest overall life cycle cost, if quality problems later emerge with the low bidders' supplies.
- n) **Training:** Training is the basic element of the TQM process. This concept can be developed by encouraging continuous improvement for which training appears to be the basic and the important tool.

9.4.2 Need and Importance of TQM

TQM is an integrative management concept aiming at continuous improvement in the quality of goods and services through the participation of all levels. It believes in making quality everyone's concern and responsibility. Quality should become a habit and not a matter of chance. TQM ensures attainment of this objective generating a number of benefits to the organisation such as:

- a) **Improved customer satisfaction:** TQM aims at producing goods and services in accordance with customer expectation. This approach improves customer satisfaction and generates higher profits.
- b) **Enhanced quality:** TQM helps in manufacturing better quality products at a lower cost. This increases the market share and profits of the organisation.
- c) **Reduced wastage:** TQM seeks to prevent poor quality rather than detecting and correcting defects. It stresses on things being done right the first time. This reduces wastage and the related costs are eliminated.
- d) **Reduced inventory:** TQM aims at eliminating shortage in the supply of inputs. It also ensures that the organisation does not purchase excessive inventory. TQM believes that smaller the inventory better is the quality.
- e) **Improved productivity:** Productivity is the input-output relationship. Productivity improves when the same output is attained at a lower cost or

higher output is achieved at the same cost. TQM helps in attaining these goals, thus contributing to improved productivity.

- f) **Reduced product development time:** TQM not only focuses on customers, it also analyses and improves the basic business systems and subsystems to match customer requirements. This helps in reducing the product development time.
- g) **Flexibility:** TQM increases the flexibility in meeting market demands. It helps in ascertaining the requirements of the customers and evolves systems to do a better job in a shorter time.
- h) **Motivated human resource:** TQM demands employee involvement and empowerment. Employees who adopt customer satisfaction as their primary objective are rewarded with monetary and non-monetary benefits. All this motivates the employees to do a better job.
- i) **Enhanced competitiveness:** TQM enables a company to face competition. Better quality products, lowest possible cost and a team of dedicated employees facilitate this.

9.4.3 Problems in implementing TQM

TQM incorporates several dimensions such as the design of the products, control of processes and quality improvement. It goes without saying that crises are inevitable.

The initial period is focused on quality awareness, infrastructure, measurement systems and upgrading skills. Gradually, the quality message is no longer new and as such loses some of its excitement. As measurement improves, problems can be seen more clearly.

The realisation that things are not going as expected, causes disappointment, anxiety and even panic. This is mainly because organisations tend to look for quick results, rather than at long-term improvement.

The problems in implementing TQM arise from:

- i) **Difficulties experienced in bringing about change:** TQM requires significant changes in methods, processes, attitudes and behaviour. This realisation not only takes time to set in but the change is painful. Line managers become more accountable for their work. Supervisors become coaches. Middle managers become problem solvers and the top level has to interact with customer.
- ii) **Rising expectations:** As people become more knowledgeable about what a quality organisation is, their expectations keep rising. This creates anxiety.

To avoid this crisis, the following measures are needed:

- At the beginning of the process, expectations should be kept low.
- Everyone needs to recognise that there will be setback and it is a normal phenomenon.

- Managers should be trained in interpersonal skills so that the human issues associated with change are effectively managed.
- All improvements, no matter how small, should be publicised and appropriately rewarded.
- Progress should be reviewed periodically and goals revised accordingly.

9.5 QUALITY

Managers deal with the very critical issue of profitability. Productivity, the cost of operations and quality of the goods and services produced, all contribute to profitability. Of all these elements, quality is the most significant factor that determines the long-run success or failure of an organisation.

Good quality reduces costs, increases productivity and profit and most importantly generates satisfied customers. Quality is the totality of features and characteristics of a product or service that bears on its ability to satisfy given needs. Quality is meeting or exceeding customer expectations.

Dimensions of Quality

The concept of quality can be viewed from a different perspective. Reliance on one concept can create problems. The perspective of quality should shift as products move from design to market. All approaches/dimensions should be embodied in the overall company philosophy to get a quality product. David Garvin has given eight principal quality dimensions. These are:

- Performance:** This represents the primary operating characteristics of a product. The operating characteristics depend on individual preferences and likes and dislikes.
- Features:** These are secondary characteristics of a product, e.g. free snacks/ lunch served on Rajdhani Express. The features cannot be easily separated from the performance dimension.
- Reliability:** It is the probability of a product surviving over a specified period of time under stated conditions of use. From the consumer's viewpoint, reliability is important, as maintenance is often expensive. This dimension is very important in case of consumer durables.
- Conformance:** The degree to which the physical and performance characteristics of a product match pre-established standards is conformance. It is a relatively objective measure of quality and thus is less likely to reflect individual preferences.
- Durability:** This dimension represents the amount of use one gets from a product before it physically deteriorates or until replacement is preferable. The end of this time period demands replacement. In some cases, repairs are possible, but replacement is preferred to repairs.
- Serviceability:** This is the speed, courtesy and competency with which repairs are carried out. Customers often evaluate the quality of the product on the basis of the after-sales service provided.

Notes

- g) **Aesthetics:** This dimension represents the look, feel, sound, taste or smell of a product. This is a very subjective phenomenon, although uniformity in ranking is not impossible.
- h) **Perceived quality:** This is the subjective assessment of a product resulting from the image of the product, its advertising campaign or its brand name. These perceptions may not reflect the reality for the actual quality may differ from the customer's perceived quality.



Check your Progress 3

Multiple Choice Single Response.

1. Dimensions of quality have been given by:
 - i. David Garvin
 - ii. Philips B. Crosby
 - iii. Ishikawa Kaoru
 - iv. Edward Deming



Activity 3

How will you improve the quality of products in an organisation? Write down two innovative ideas of yours.

9.6 QUALITY CIRCLES

After the colossal destruction in World War II, Japan became notorious for poor quality of its goods. "Made in Japan" became a synonym for shoddy goods. The Japanese started searching for ways to improve quality. Dr. Deming and Dr. Juran, both US citizens, played a key role in this process. They trained Japanese supervisors thoroughly in the use of Statistical Quality Control (SQC) techniques. The supervisors disseminated this knowledge and exhorted the workers to use SQC in solving problems related to quality. This gave birth to the quality control movement in Japan in the early 60s. The Japanese exploited the SQC and quality circle philosophy to such an extent that their products became a major threat to sophisticated western products. Dr. Ishikawa Kaoru played a major role in launching this movement in Japan.

9.6.1 Definition of Quality Circle

According to Philip Thomson, "A quality circle is a small group of employees from the same work area who meet regularly and voluntarily to identify, solve and implement solutions to work-related problems."

A quality circle can also be defined as a group of people from the same work area, coming together voluntarily to identify work-area problems, analyse them and find solutions.

9.6.2 Characteristics of Quality Circles

The following are the characteristics of quality circles:

- a) QCs are small groups comprising four to 15 members. Eight members in a group is considered to be the norm.
- b) All members come from the same work area. This gives the circle its identity.
- c) The members work under a supervisor, who is a member of the circle. The supervisor is usually, though not always, the leader of the circle. As a leader, he moderates discussion and promotes consensus. The supervisor does not issue orders or make decisions. The members, as a group, make their own decisions.
- d) Circles usually meet once every week to discuss and solve the problems facing them.
- e) Circle members receive training in the rules of quality circle participation, the mechanics of running a meeting and making management presentations and techniques of group problem solving.
- f) Circle members, not management, choose the problems they intend to work on, collect information, analyse the problems and develop solutions.
- g) Technical specialists and management assist circles with information and expertise, whenever asked to do so.

9.6.3 Process followed by Quality Circles

In the QC philosophy, the circle members identify the work area problems, analyse them and find solutions. It aims to achieve the objectives through the development of people, the most important asset of an organisation.

The process of QCs involves:

- a) **Problem collection:** The creation of a problem bank is one of the primary tasks that the circle members perform. Each problem bank is given a priority number depending on its benefit potential and urgency. Problem collection is an on-going process.
- b) **Problem analysis:** Problem analysis depends on facts and not on feelings. A good number of data collection tools, charts and statistical techniques are available to establish facts, before proceeding to find solutions. Subjective opinions have no place in this philosophy.
- c) **Problem solution:** A proper environment and group thinking together with expertise in work area generate appropriate solutions to problems. Various alternative solutions are explored and the optimum solution is chosen. Experience shows that the people involved in a work area are best equipped to solve its problems and their solutions are feasible and practical.

Notes

- d) **Management presentation:** The solutions chosen by the circle members are presented to the management, highlighting the benefits anticipated. Acceptance of the solution acts as a powerful motivator.
- e) **Implementation, review and follow-up:** After getting the sanction of the management, the circle members chalk out a schedule for the implementation of the solutions. The results are constantly reviewed and follow-up action is taken, if required. In fact, review and follow-up is a continuous responsibility of the circle.

9.6.4 Benefits of Quality Circles

There are no financial rewards for QCs. However, there are many other gains, which primarily benefit the individual and in turn, benefit the organisation. These are:

- a) **Self-development:** QCs facilitate self-development of individuals by bringing about attitudinal change, improving self-confidence and a sense of achievement.
- b) **Social development:** QC is a participative and consultative programme where each member interacts with others. This interaction helps in developing team spirit.
- c) **Opportunity to acquire knowledge:** QC members have an opportunity to acquire new knowledge by sharing ideas, opinions and experience.
- d) **Potential leader:** Every individual gets an opportunity to develop his leadership potential, since any member can become a leader.
- e) **Improved communication skills:** The joint problem solving and presentation before the management helps the members to improve their communication skills. Thus, non-attainment of cherished objectives due to poor communication is avoided.
- f) **Job satisfaction:** QCs encourage creativity by tapping the dormant intellectual skills of the people. Individuals also perform activities different from routine work, which boosts their self-confidence and gives them immense job satisfaction.
- g) **Healthy work environment:** QCs generate a tension-free environment in which each member likes, understands and co-operates with each other.
- h) **Organisational benefits:** The individual benefits generate a synergistic effect, leading to higher productivity, better quality, reduction in waste and cost-effectiveness. All these benefits are long term in nature, which bring about improvements over a period of time.

9.6.5 Important Conditions of Quality Circles

A quality circle is a group of workers under the leadership of their team leader who are trained to identify, analyse and solve work-related problems and present their solutions to management in order to improve the performance of the organisation and motivate and enrich the work of employees.

There are some important conditions of a quality circle. They are as follows:

- a) **Unconditional support:** The top management should offer unconditional support to the QC movement. Lack of support or its withdrawal at a later date leaves the circles at a loose end. The top managers by participating frequently in the QC activities should also make the support visible.
- b) **Prompt approval:** The acceptable recommendations of the circle should be promptly approved to boost the enthusiasm of the members. If the recommendations are not accepted or delayed, reason for the same should be explained to the members.
- c) **Long-term approach:** The objectives intended to be achieved can be achieved over time. QCs are a long-term approach. Overnight miracles can't be achieved in QCs.
- d) **Proper orientation:** The QC philosophy should be appreciated by one and all. For this a proper orientation at all levels needs to be undertaken. This will help in increasing everybody's involvement in the movement.
- e) **Morale trickles down from the top:** The top management should praise the work of the members. This boosts the morale of the members and helps in sustaining their continued enthusiasm. The principle to be remembered is that morale trickles down from the top.
- f) **Expenditure scrutiny:** The top management should get the cost-benefit analysis done expeditiously. Delays can demotivate the members.
- g) **Dispel fears:** The middle management often entertains fears like losing importance, becoming redundant, being exposed, etc. The top level needs to take steps in this direction and ensure that such fears are dispelled.
- h) **Identification of interests:** Co-operation of the middle management and their identification of interests with circles is important. Lack of understanding of objectives lead to diversity of interests and to misdirected goals.
- i) **Regular communication:** The communication channels should be kept open to ensure the success of QC. Communication gap can lead to misinformation or no information between different people involved in the QC operations.

Also there should be no language barrier. Training should be conducted in a common language.
- j) **Proper environment:** A proper environment with mutual trust, faith and respect is necessary for QCs to thrive.
- k) **Effective leader:** The success of a QC depends largely on the leader. He has to take initiative, be tolerant, appreciate the objectives, motivate the members and foster a feeling of oneness. He should also own responsibility for the action of the QC.

Notes

9.7 QUALITY CONTROL

Quality control is the principal managerial function that is vital to an effective quality assurance system.

Quality control is the continuing process of evaluating performance, comparing the performance with the laid-down standards and taking corrective action when necessary.

9.7.1 Components of Quality Control System

Any quality control system has three components:

- a) A standard.
- b) A means of measurement of accomplishment.
- c) Comparison of actual results with the standard along with feedback to form the basis for corrective action.

9.7.2 Types of Quality Control

Quality control is of two types:

- a) **Online quality control:** This consists of all control activities that are conducted during the production cycle of a product.
- b) **Off-line quality control:** These consists of all control activities that are conducted outside the production process, viz., improving the product design, control of incoming materials and special process studies.

9.7.3 Objectives of Quality Control

The following are the main objectives of a quality control programme:

- a) To easily assess the quality of raw material used for semi-finished goods and the final product produced at various stages of the production process.
- b) To ensure that the production process operates up to the desired standard and if there is some deviation from the set standard, necessary remedial measures are taken.
- c) To facilitate improvement in the standard of goods produced with very little or no increase in the cost of production.
- d) To develop quality consciousness in various departments/sections of the manufacturing unit to help reduce the cost of inspection.
- e) To minimise wastage, thereby improving the overall productivity of the firm.
- f) To generate consumer satisfaction through improved quality and earn higher profits. These profits can be used to give various monetary and non-monetary benefits to the employees resulting in improved motivational levels.

9.7.4 Methods of Quality Control

a) Quality audit

A quality audit is a systematic and independent examination and evaluation to determine whether quality activities and results comply with the planned arrangements and whether these arrangements are implemented effectively and are suitable to achieve the objectives. Quality audit provides a tool to control the quality system itself.

Need for quality audit

Quality audit allows an organisation to know exactly where it stands with regard to any potential gaps. One of the most important objectives of quality audit is measuring the effectiveness of an organisation's quality management system. By inspecting its processes, an organisation is able to identify areas, which needs improvement.

The following are the reasons that necessitate quality audit:

- a) It provides benchmarks for determining whether or not a quality system is complete.
- b) Periodic audits make everyone aware that the organisation is serious about improving the product quality.
- c) Audits highlight the innovative activities. The same can then be shared throughout the organisation.
- d) Quality audit can reveal areas that are inefficient or need improvement.
- e) It constitutes a permanent record of the progress in achieving the goals of quality.
- f) It facilitates and encourages supplier quality certification systems.

b) Inspection

Inspection is an important tool for ascertaining and controlling the quality of a product. Its fundamental purpose is to safeguard quality by comparing materials, workmanship and products with some set standards.

Definition of inspection

According to Alford and Beatty, "Inspection is the part of applying tests, preferably by the aid of measuring appliances, to observe whether a given item or product is within the specified limits of variability or not."

Sprigel and Lansburgh define inspection as "the process of measuring the qualities of a product or services in terms of established standards".

Objectives of inspection

Inspection aims at attaining the following objectives:

- a) **Quality product:** It aims at maintaining the quality of the product by comparing materials, workmanship and tools and equipment used with some set standards. The ultimate aim of this is to create a quality product.

- b) **Removing defects:** It helps in locating the defective items. The reason for the defects can be determined and necessary corrective measures can be taken for future production.
- c) **Reducing costs:** By reducing and eliminating wastages, inspection reduces the cost of production.
- d) **Consumer satisfaction:** Inspection helps to eliminate rejection. The rejected items are sorted out and quality products are passed on to the customers. This generates consumer satisfaction.



Check your Progress 4

Match the following.

- | | |
|------------------------------|---|
| i. Philip B. Crosby | a. Reduction in waste |
| ii. Total quality management | b. Quality circle |
| iii. Dr. Ishikawa Kaoru | c. Zero defects |
| iv. Dimension of quality | d. Performance, feature and reliability |



Case Study

Mr. Pradhan, the personnel manager of Sigma Z Company, started implementing the TQM concept in the organisation as part of his quality improvement mission. He designed quality circles to identify, analyse and finally solve the problems in the organisation. He was very passionate about the project of continuous improvement but very soon he realised that the employees were not responding to the strategies as per his expectations. The employees could not be properly motivated and all efforts at training and improvement bore no fruits. There were many fears in the mind of the employees about the new system. They were not ready to open up and communicate. The top management initially supported this project but later on was not very keen when it came to sanctioning of funds. Very soon, the personnel manager realized that the morale is missing in this venture. He became frustrated, as he did not get the cooperation and support needed.

He turned towards his childhood friend, who is also the personnel manager of a big company to discuss the problems regarding this venture.

Questions

1. If you are that friend of Mr. Pradhan, how will you analyse the situation?
2. What measures will you suggest to your friend to help him out of the situation?



Summary

- There is tough competition in the corporate world. It is important to survive in the race if you want to succeed. The need of the hour is to constantly improve the quality of your product so that it remains the very best.
- The concept of Total Quality Management (TQM) lays down ways and means for the individuals and organisations to improve their quality by its different approaches and methods. TQM improves customer satisfaction, enhances quality, improves productivity, reduces waste and motivates the human resources to enhance competitiveness.
- Quality circles are designed to identify, analyse and finally solve the problems. Unconditional support, proper orientation and environment are needed for the quality circles to be effective.
- Quality control is the continuing process of evaluating performance, comparing with the laid-down standards and taking corrective action when necessary.
- Quality control is of two types: online and off-line quality control. Quality audit and inspections are the methods used for quality control.
- A quality audit is a systematic and independent examination and evaluation to determine whether quality activities and results comply with the set standards.
- Inspection is also a very important tool for ascertaining and controlling the quality of a product.



Keywords

- **Total quality management:** A system for integrating the continuous quality improvement efforts of people at all levels in the organisation to deliver products and services that give customer satisfaction.
- **Quality:** The sum total of the features of a product that meets or exceeds the needs of the customer.
- **Quality circles:** Small groups of people who work in the same organisation and who identify and solve problems at the workplace.
- **Quality control:** The continuous process of evaluating performance, comparing the performance with the laid down standards and taking corrective action when necessary.



Self-Assessment Questions

1. What do you understand by total quality management?
2. State any two basic features of the total quality management approach.
3. What are the problems in the implementation of total quality management?
4. Define quality circle and explain the process followed by quality circles.
5. What are the benefits of quality circles?

Notes

Answer to Check your Progress

Check your Progress 1

State True or False.

1. True
2. False

Check your Progress 2

Fill in the blanks.

1. Dr. Joseph Juran felt that 80% of the quality problems originate from poor management.
2. Quality control facilitates improvement in the standard of goods produced with very little or no increase in the cost of production.
3. Quality audit provides a tool of control over the quality system itself.

Check your Progress 3

Multiple Choice Single Response.

1. Dimensions of quality have been given by:
 - i. David Garvin

Check your Progress 4

Match the following.

- i. – c.
- ii. – a.
- iii. – b.
- iv. – d.



Suggested Reading

1. Aswathapa, K. 2006. *Human Resource and Personnel Management*. McGraw Hill.
2. Werther, William B and Keith Davis. 1996. *Human Resource Management and Personnel Management*. McGraw.

Structure: 

10.1 Introduction

10.2 Concept of HRD Audit

10.2.1 HRD Audit is Comprehensive

10.2.2 HRD Audit examines Linkages with other Systems

10.2.3 HRD Audit is Business-driven

10.2.4 Why do Most Companies want HRD Audit

10.3 Role of HRD Audit in Business Improvement

10.4 Methodologies of HRD Audit

10.4.1 Individual Interviews

10.4.2 Group Interviews

10.4.3 Workshop

10.4.4 Questionnaire Method

10.4.5 Observation

10.4.6 Analysis of Secondary Data

10.4.7 Analysis of Reports, Records, Manuals and Other published Literature

10.5 Limitations of HRD Audit

Summary

Keywords

Self-Assessment Questions

Answers to Check your Progress

Suggested Reading



Objectives

After going through this unit, you will be able to:

- Justify the need for HRD audit
- Explain the concept of HRD audit
- Evaluate the role of HRD audit in business improvement
- State the methodologies of HRD audit

10.1 INTRODUCTION

In the last two decades, a large number of corporations have established Human Resource Development (HRD) departments, introduced new systems of HRD and made structural changes in terms of differentiating the HRD function and integrating it with the HR function. A good number of CEOs saw a hope in HRD for most of their problems, issues and challenges. It is estimated that on an average, establishing a new HRD department with a small size of about five professionally trained staff costs about two million rupees per annum in terms of salaries, another 10 million in terms of budget (e.g., training budget, travel budget, etc.) and probably about five to 10 times the amount in terms of managerial time costs and opportunity costs. This is because HR systems are people intensive and require a lot of managerial time.

In spite of these investments in a number of corporations, there is a widespread feeling that HRD has not lived up to the expectations of either the top management or the line managers. There are also examples of corporations where HRD has taken the driver's seat and has given a lot of benefits. In today's competitive world, "people" or employees can give a good degree of competitive advantage to the company. To get the best out of the HR function, there should be a good alignment of the functions – its strategies, structure, system and styles – with business (e.g., financial and customer parameters). It should be aligned both with the short-term goals and long-term strategies. If it is not aligned, the HR function can become a big liability to corporations and they will have no alternative but to close their HR departments. Besides this alignment, the skills and styles of the HR staff, line managers and top management should be in synergy with the HR goals and strategies. HRD audit is an attempt to assess these alignments and ensure that they take place.

10.2 CONCEPT OF HRD AUDIT

HRD audit is a comprehensive evaluation of the current HRD strategies, structure, systems, styles and skills in the context of the short and long-term business plans of a company. It attempts to find out the future HRD needs of the company after assessing the current HRD activities and inputs. Some concepts within of HRD audit are discussed below.

10.2.1 HRD Audit is Comprehensive

HRD audit starts with an understanding of the future business plans and corporate strategies. While HRD audit can be done even in organisations that lack well-formulated future plans and strategies, it is most effective as a tool when the organisation already has such long-term plans. The HRD audit starts with the following questions:

- a) Where does the company want to be 10 years from now, three years from now and one year from now? (Answer to this question contributes to the HRD business linkages score of the HRD scorecard. In this SLM, we have already discussed the 'HRD Score Card' which can be used to assess and benchmark the maturity level of the HRD function in organisations and make it more business-driven.)

The top management needs to provide the answer to this question. If there are any long-term plan documents, they are also reviewed. Based on the answers, the consultants finalise the subsequent audit strategies and methodology. They identify the nature of the core competencies the organisation needs to develop in order to achieve its long-term, five to 10-year plans. The consultants also identify skills to be developed at various levels (e.g., workmen level, supervisor level, junior-management level, middle-management level, top- management level) and with respect to various functions (e.g., finance, production, marketing, etc.). Listing all these core competencies and skills for the future is the starting point of HRD audit. HRD audit normally attempts to assess the existing skills and competency gaps in order to achieve the long-term business goals and short-term results. The competencies may deal with technical aspects, managerial aspects, people or conceptual aspects. They may cover the knowledge base, attitudes, values and skills.

- b) What is the current skill base of the employees in the company in relation to the various roles and role requirements? (Answers to this question contribute to the competency score on the HRD scorecard)

This is assessed through an examination of the qualifications of employees, job descriptions, training programmes attended, and so on. Besides this, interviews are conducted to identify the skill gap in the organisation. Training needs and performance appraisal forms provide insights into the competency and other skill requirements.

- c) What are the HRD subsystems available today to help the organisation build its competency base for the present, immediate future and long-term goals? (Answers to this question contribute to the HRD systems maturity score of the HRD scorecard.)

The auditors identify various HRD subsystems that are available to ensure the availability, utilisation and development of skills and other competencies in the company. The framework for evaluating these HRD subsystems is presented earlier, where all the component HRD systems are present.

These systems and other HRD tools that an organisation may be using are studied in details for arriving at the systems maturity score.

- d) What is the current level of effectiveness of these systems in developing people and ensuring that human competency is available in adequate level in the company? (Answer to this question contributes to the HRD systems maturity score of the HRD scorecard.)

The consultants assess the effectiveness of each system. The effectiveness of the performance appraisal system, for example, is assessed by discussing with employees, individually and in groups, about the efficacy of the systems. The auditors look at the appraisal forms, at the linkages between appraisal and training, conduct questionnaire surveys to assess the extent to which coaching and other components on other appraisals are being utilised and also analyse the systems. Similarly, in relation to induction training, the consultants make it a point to meet those who have been through the induction training recently or those who are in the process of being inducted into the company, and take their views to improve the induction training methodology, and so on.

- e) Is the existing HRD structure in the company adequate enough to manage the HRD in the company? (Answer to this question contributes to the HRD competencies systems maturity score, of the HRD scorecard.)

At this stage, the auditors or consultants examine whether the current HRD structure can handle the pressing and future HRD needs of the company. They examine the existing skill base of the HRD staff, their professional preparation, attitudes, values, developmental needs, the line manager's perception regarding them, and so on. In addition to the full-time staff, the consultants also assess the HRD structure in terms of the use of task forces and other mechanisms.

- f) Are the styles of managing people by the top management and senior manager in tune with the learning culture? (Answer to this question contributes to the HRD culture score of the HRD scorecard.)

Here the consultants examine the leadership styles, human relations skills and so on, of senior managers. The extent to which their style facilitates the creation of a learning environment is examined.

10.2.2 HRD Audit examines Linkages with other Systems

HRD audit attempts Total Quality Management (TQM), personnel policies, strategic planning etc., evaluates HRD strategy, structure, system, staff, skill, style and consultants. The auditors make suggestions based on the evaluation about the future HRD strategies required by the company, the structure the company needs to develop new competencies, the systems that need to be strengthened, and the styles and culture that have compatibility with the HRD process.

10.2.3 HRD Audit is Business-driven

HRD audit always keeps business goals in focus. At the same time, it attempts to bring in professionalism in HRD. Keeping the business focus at the centre, HRD audit attempts to evaluate HRD strategy, structure, system, staff, skills, style and their appropriateness.

10.2.4 Why do Most Companies want HRD Audit

There are various reasons why companies want to undertake HRD audit, some of which have been stated below.

- a) **To make the HR function business-driven:** HRD audit is undertaken by most organisations to make HR systems and processes more relevant to business goals. Over a period of time, business changes may take place for a variety of reasons including environmental changes. Organisational restructuring (financial, technological, marketing, manufacturing, engineering, etc.) may necessitate meeting the changing environmental demands and opportunities. Such changes should be accompanied by appropriate changes in the HR function (its goals, emphasis, strategies, system and process). Some companies go in for HRD audit to examine and make changes in the HR function to accompany organisational changes. Some organisations that have undertaken business process re-engineering have conducted HRD audit to ensure that the HR function is aligned with business goals and strategies.
- b) **To take stock of things and to improve HRD for expanding, diversifying, and entering into a fast growth phase:** Many good organisations in India, after liberalisation, have entered a competitive phase. These are those organisations which saw a lot of opportunities both within the country and abroad. In light of these new opportunities, some of them felt that they had not paid adequate attention to their human resource due to constraints in the past. They used to recruit employees at low salaries on the basis of contract rather than competence. As a result, the organisations ended up having very heterogeneous categories of employees. Moreover, organisations suddenly discovered that what was valued in the past – employees with average competence and high loyalty – had become a weakness in the present. In order to compete in the future, they had to change their profiles. Thus, companies felt the need to take stock and see the direction in which they should move.

Some companies have borrowed many HRD practices from professionally managed companies, but without adequate preparation. They are not sure if they are going in the right direction.
- c) **For promoting professionalism among employees and switch to professional management:** With the world becoming a global village, some companies started realising the importance of skill development and professionalism among the employees. In order to induce professionalism, they wanted to take stock of their HRD and therefore undertook an HRD audit.
- d) **Multinationals want to know the reasons for low labour productivity and to improve their HRD strategies in the Indian context:** Some multinationals, which have been operating in the country, found from their experience that they pay low salaries in India as compared to other plants they have in their countries but higher salaries than the Indian companies. In spite of that, the labour productivity is poor. After a careful examination of a number of good practices they had introduced, they discovered that there are some unique problems with the Indian people. Some of these included high designation-consciousness, low level of teamwork, tendencies to

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unionise, lack of trust on the management, low energy level, and preference for a paternalistic treatment. Some of these companies relied heavily on their HRD departments to change the situation. Their experiences were not as positive as they desired. Therefore, they decided to undertake an HRD audit. They perceived HRD audit more as a renewal exercise.

- e) **For growth and diversification:** A few organisations after their initial success and building core competencies in certain areas wanted to diversify and expand into new areas. They even undertook the initial steps using their existing staff to handle new projects. They were not very sure whether this was likely to work out. They also wanted the direction in which they should move. Therefore, they decided to undertake HRD audit.
- f) **Dissatisfaction with a particular component:** Some organisations undertook HRD audit more as a necessary comprehensive review to their needs generated from their dissatisfaction with one or two subsystems of HRD. In one company, for example, HRD audit was as a means to improve communications. In another company, appraisal was the starting point, but they decided that since appraisal is linked to many HRD subsystems they should get a comprehensive examination of HRD done. A third company used HRD audit though their main interest was development of a training plan. In all these cases the influencing factor for initiating and using HRD audit has been some visionary either at the top level or at the board level who has a more holistic view of the organisation.
- g) **Change of leadership:** Some organisation undertook HRD audit as their HRD manager was leaving and they needed to recruit new HRD manager and reorient the entire HRD department. Sometimes, a change of the CEOs and other top management members may also prompt HRD audit.



Check your Progress 1

Multiple Choice Multiple Response.

1. The companies undertake HR audit for the following reasons:
 - i. To make the HR function business-driven.
 - ii. Satisfaction with a particular component.
 - iii. For growth and diversification.
 - iv. For promoting professionalism among employees.
2. HRD audit starts with:
 - i. Examining whether the existing HRD structure in the company is adequate enough to manage the HRD in the company.
 - ii. By identifying the styles of managing people of the top management and senior manager in tune with the learning culture.
 - iii. By assessing the current skill base of the employees in the company in relation to the various roles and role requirements.
 - iv. By ignoring the HRD subsystems available today to help the organisation build its competency base for the future.



Activity 1

Name any one organisation you know about where HRD audit is carried out.

10.3 ROLE OF HRD AUDIT IN BUSINESS IMPROVEMENT

The experiences of the companies discussed above indicate that HRD audit can give many insights into a company's affairs. HRD audit is also cost-effective. To audit, it costs as low as US\$ 10,000–25,000. The auditors normally camp in the organisation for one to two weeks, make their observation, and give their report in a month's time. They normally make preliminary presentation at the end of their visit.

The auditors bring with them their experience of HRD with a large number of companies and provide a good degree of qualitative data. Thus, the returns on such low-cost audit can be substantial.

The following are some of the favourable consequences of HRD audit that have been observed:

- 1. It can get the top management to think in terms of strategic and long-term business plans:** It may seem ironical because HRD audit should begin with such strategic plans. But in some cases, it has propelled the top management to formulate such plans. Another aspect in this regard is that people cannot participate in HRD audit without sharing some of these plans. The audit, therefore, has forced the top management to share their plans across the organisation resulting in increased involvement and commitment of employees. In a few cases, a new system of annual planning and sharing of the business plans with management staff to enable them to plan their own activities and competency development programs have been initiated.
- 2. Changes in the styles of the top management:** Any successful HRD company has an excellent learning environment. Thus, one of the objectives of HRD is to create a learning organisation. A learning culture can be created only if the managers of the company exhibit an HRD orientation, ability to convert and use mistakes, conflicts and problems as learning opportunities, and so on. Some top-level managers in India have been found to block the motivation and learning of employees through coercive, autocratic and even paternalistic styles of management. HRD audit highlights such detrimental styles of management thereby pointing out the difficulties in developing and preparing the employees for the future. This has helped in providing subtle feedback to the top management and initiating a change process.

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3. **Role clarity of HRD department and the role of line managers in HRD:**

In almost all cases, the HRD audit has been found to draw the attention of employees at various levels to the important role of the HRD department, better role clarity of the HRD department and the HRD function, resulting in increased understanding of line managers about their HRD role and the uniform results of HRD audit. While the degree may vary from organisation to organisation depending on various factors, this exercise has a favourable impact on employee productivity.

4. **Improvements in HRD systems:** HRD audit has helped most organisations in measuring the effectiveness of their HRD systems, in designing or redesigning HRD systems. The most frequently changed or renewed systems include performance appraisal, induction training, job rotation, career planning and promotion policies, monitoring communication and training. A number of organisations have changed or strengthened one or more of their HRD subsystem as a result of HRD audit.

5. **Increased focus on human resource and human competencies:** One of the results of HRD audit is to focus on new knowledge, attitudes and skills required by the employees. Comments are made about the technical, managerial, human and conceptual competencies of staff at various levels. This differentiation has been found to help organisations in identifying and focusing sharply on the competency requirements and gaps. The audit establishes a system of role clarity and fixing of accountability. This may take place through separate role-clarity exercises or through the development of appropriate performance appraisal systems. In any case, the attention of the organisation gets focused on developing the competency base of the organisation. More sensitivity develops towards the missing aspects of competencies. One organisation, for example, was found to neglect the human relations competencies of their staff, which led to quite a few problems and wastage of time. With HRD audit many of these were streamlined. The various HRD policies also got strengthened.

6. **Better recruitment policies and more professional staff:** HRD audit proposes the competence base required by the organisation. It gives direction for competency requirements of employees at various levels, thus providing a base for recruitment policies and procedures. As a result, in some companies, new recruitment and retention strategies have been worked out. In other companies, the audit has led to strengthening recruitment policies and procedures.

7. **More planning and more cost-effective training:** HRD audit has been found to assist in assessing the returns on training. One of the aspects emphasised in the HRD audit is to calculate the investments made in training and ask questions about the returns. The process of identifying training needs and utilisation of training and learning for organisational growth and development are assessed. As direct investments are made in

training, any cost-benefit analysis draws the attention of the management and HRD managers to review the training function with relative ease. One organisation, for example, has strengthened its training function by introducing a new system of post-training follow-up and dissemination of knowledge to others through seminars and action plans. Many organisations have developed training policies and systematised their training function. Training needs assessment also has become more scientific in these organisations.

8. **Strengthening accountability through appraisal system and other mechanisms:** HRD audit can give significant inputs about existing state of accountability of employees. This can be assessed through performance appraisal as well as through the work culture and other cultural dimensions. A number of organisations have introduced systems of performance planning, sharing of experience and documenting the accountability of staff. HRD audit has led to the change of appraisal systems.
9. **Streamlining of other management practices:** Most often HRD audit points out the strengths and weakness in some of the management systems existing in the organisation. It also indicates the absence of system which enhance both human productivity and utilisation of the existing competency base, e.g., MIS, rules and procedures, etc., which may have an effect on the functioning of employees. In a few cases, HRD audit has helped the management to look at some subsystems and work procedures. Preparation of a manual for delegation of powers, clarification of roles and responsibilities, developing or strengthening the manuals of financial and accounting procedures and systems, strengthening the information systems and sharing of information are some of the resultant activities.
10. **TQM interventions:** Improvement in quality and establishment of TQM systems require a high degree of involvement of employees. In a number of cases HRD audit has pointed out to the linkages between TQM and other quality programmes, and helped in strengthening the same. Due to improvement in the training systems, enhancement of the quality of group work and strengthening of the appraisals system, TQM programmes also get improved. In some organisations, performance appraisals have been changed to integrate quality aspects and internal customer satisfaction into the appraisal systems. Thus, HRD audit leads to the strengthening of quality systems.
11. **It can enhance the Return on Investment (ROI) of the HR function:** In addition to all the above points, HRD audit aligns the HR function and activities with business goals. In the process, it eliminates non-value-adding HR systems, activities and processes and enhances the value-adding activities and processes. It reduces the non-productive assets of the HR department, e.g., underutilised training centres, ill-implemented appraisal systems, etc. and sharpens the focus of the HR function to get better results. The main contribution of HRD audit is to focus on value-adding HRD.



Check your Progress 2

State True or False.

1. A number of organisations have changed or strengthened one or more of their HRD subsystem as a result of HRD audit.
2. One of the results of HRD audit is to focus on new knowledge, attitudes and skills required by the employees.
3. HRD audit does not align the HR function and activities with business goals.
4. Most often HRD audit points out the strengths and weakness in some of the management systems existing in the organisation.
5. HRD audit cannot give significant inputs about the existing state of accountability of employees.



Activity 2

Visit an MNC and find out how HRD audit has helped in the overall development of the organisation.

10.4 METHODOLOGIES OF HRD AUDIT

HRD audit requires the use of a number of methods. These methods are used in combination and a good audit requires the use of all the methods. The methods used in HRD audit are discussed below.

10.4.1 Individual Interviews

The auditors normally make it a point to interview the top-level management and senior managers individually. Such individual interviews are a must for capturing their thinking about the future plans and opportunities available for the company. Also, by virtue of occupying strategic positions, the top management has the required perspective for good HRD audit. Thus, a good HRD audit begins with individual interviews of the top management.

Individual interviews are also essential when sensitive information has to be obtained. Such information pertains to working styles and culture. Union leaders, departmental heads, some strategic clients and informal leaders are all interviewed individually. In addition, if the organisation is small and is largely manned by professionals, the coverage can be enlarged to include interviews with randomly selected representative sample of employees from different levels and functions.

10.4.2 Group Interviews

Normally, in an audit of companies having thousands of employees, it is not feasible to meet everyone individually. Group discussions and interviews

serve as a good mechanism for collecting information about the effectiveness of an existing system. Group interviews are conducted normally for groups of four to eight individuals. It is preferable to have employees drawn from same or similar levels. This is because in Asian culture there is likely to be some inhibition on part of junior employees to freely express their views in the presence of their seniors. However, it is quite common to give cross-functional representation to employees in the same group. If the organisation is large, an attempt is made to conduct group interviews for various functions separately to keep the levels homogeneous.

In both individual and group interviews for HRD audit, the following open-ended questions are normally asked:

- a) What do you see as the future growth opportunities to run your business or directions of the company?
- b) What skills and competencies does the company have of which you are proud of?
- c) What skills and competencies do you need to run your business, or to perform your role more effectively at present?
- d) What are the strengths of your HRD function?
- e) What are the areas where your HRD function can do better?
- f) What is good about your HRD subsystems, such as performance appraisal, career planning, job rotation, training, quality circles, induction training, recruitment policies, performance counselling and worker-development programmes?
- g) What are their weaknesses? What can be improved?
- h) What changes do you suggest to strengthen HRD in your company?
- i) What do you think are the ways in which line managers can perform more developmental roles?

10.4.3 Workshop

In some cases, individual and group interviews are substituted by Large Scale Interactive Process (LSIP) workshop (see below). In such workshops, a large number of participants ranging from 30–300 can be gathered in a room and asked to do the HRD audit. Normally the participants work in small groups either around various subsystems or around different dimensions of HRD, do a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis and make presentation. The workshops can also be used to focus specifically on individual HRD systems like performance appraisal. The workshop outcome has been found to be very good.

LSIP workshop methodology applied to HRD audit

In one company, the large-scale interactive process methodology was used in which a large number of executives from the organisation participated to conduct the HRD audit. The methodology required the large group to be

divided into the maximum number of mixed groups (designation, age and function). They were all seated in a large hall in groups of six to seven members around each table. During the day, they were taken through a series of diagnostic exercises through question such as the following:

1. What are the three good things in your performance appraisal system?
2. What is the one thing you would like to change in your performance appraisal system?
3. How would you critically evaluate the job rotation in your company?
4. What are the strengths and weaknesses of your training policies and practice?
5. What three adjectives would you use to describe the promotion policies as they exist in your company?

The results were compiled by a group of research assistance and fed into the computer and the analysis fed back to the group. By the end of the day, the group knew the results of the audit and the recommendations the consultants would give to the top management. Some of the top management team members participating in the exercise also got more motivated to improve the state of affairs. Thus, in conducting HRD audit through participation method, the consultants were able to diagnose and start the change process. The HRD audit itself became an OD intervention.

HRD audit, if conducted through participatory methods, in itself may initiate the change process. Even if it does not, it is a potential diagnostic tool and can provide a lot of information to the top management on employee related process and help them to plan further interventions.

10.4.4 Questionnaire Method

A questionnaire can be administered individually or in a group. It is useful to call groups of respondents, selected randomly, to a room and explain the objectives and the process of the HRD audit and administer the questionnaire then and there itself. This ensures uninterrupted answering of the questionnaire and provides scope for getting more credible data due to the personal explanations given by the auditors.

The very first comprehensive questionnaire was jointly developed by Rao and Pareek around 1994. It had over 250 items and required about 90 minutes to complete. A number of other questionnaires have been developed since the time this first comprehensive HRD audit questionnaire was prepared. These questionnaires attempt to assess various dimensions of HRD including the competency base of HRD staff, the styles of line managers, the implementation of various HRD systems, etc.

The most significant use of the questionnaire method is that it helps in benchmarking.

10.4.5 Observation

In addition to the above methods, the auditors should physically visit the workplace including the plant, the machinery room, canteen, toilets, training rooms, hostels, hospital, school, living colony, etc. These visits and observations are meant to assess the extent to which a congenial and supportive human welfare oriented climate exists in the company. This is essential because employees are not likely to give their best if they do not operate in good surroundings, their health and education are not taken care of, they do not have good communication and other facilities and their working conditions are poor. The observations can be made using a checklist of questions.

10.4.6 Analysis of Secondary Data

Analysis of secondary data can give a lot of insight into the HRD assets and liabilities of the company. For example, in a company that had about 50 HR people, only two had the required technical training in HRD. When analysis of training of programmes attended by others was carried out, it was found that a large number of them did not attend any HRD programme in the last five years. Such analysis of secondary data can give many insights. Analysis of age profiles of the employees, the training attended, the minutes of the meetings held, etc. help in determining the assets and liabilities. Such an analysis should also pay attention to the costs incurred by the company in terms of maintaining the HRD infrastructure.

10.4.7 Analysis of Reports, Records, Manuals and Other published Literature

Published literature of the company, such as manual reports, marked handouts, training calendar, personnel manual and various circular issued from time to time are also likely to help in assessing the strengths and weaknesses of HRD.



Check your Progress 3

Match the following.

- | | |
|---------------------------------|--|
| i. Observation | a. It can give a lot of insights into the HRD assets & liabilities of the company. |
| ii. Individual Interviews | b. Assesses the extent to which a congenial and supportive human welfare oriented climate exists in the company. |
| iii. Analysis of Secondary data | c. It helps in benchmarking. |
| iv. Group Interviews | d. They are also essential when sensitive information has to be obtained. |
| v. Questionnaires | e. They are conducted normally for groups of four to eight individuals preferably for same or similar levels. |

Notes



Activity 3

Explain the method of HRD audit followed by the MNC you visited for the last activity.

10.5 LIMITATIONS OF HRD AUDIT

The audit itself is rarely a failure. However, when HRD audit is conducted as a fashion or as a requirement of someone else and the CEO has no way of refusing such an HRD audit, it can have some negative results. In one organisation, for example, where HRD audit was conducted at the instance of the headquarters located in a different place, the CEO was very cooperative but later become very defensive and started justifying everything that was going on in his unit. The message went fast down the line and the employees formed groups – those who were in favour of the CEO and those who were against him. As a result, the auditors had a difficult time finding the truth and it became more of a political game than a genuine effort for improvement. However, such cases are rare.

Most HRD audit failures are due to failures of implementations. Some CEOs are simply curious. They are restless until they know the results of the audit. But once they know the audit results, they feel reassured that they are above average and therefore forget about the audit.

Sometimes, HRD audit can also be used against the HRD department. It can be used to get rid of some staff in the department. Such a decision can have an adverse effect on the overall HRD of the company subsequently, unless it is made carefully and after adequate time and scope is given to develop the competencies of the employees concerned.

While HRD audit does point out to the competency gaps in the HRD department and also indicates the mismatch, if any, between the organisational needs and the employee competencies, normally an attempt is made to suggest development strategies rather than retrenchment strategies. HRD audit does not give evaluation of individuals but focuses on units and systems. The consultants may, however, give their informal feedback, if any, to the person concerned.



Check your Progress 4

Multiple Choice Single Response.

1. A limitation of HRD audit is:
 - i. When HRD audit is conducted as a fashion or as a requirement of someone else, it can have some negative results.
 - ii. HRD audit gives evaluation of individuals but focuses on units and systems.
 - iii. HRD audit successes are due to failure of implementation.
 - iv. HRD audit can be used to retain some staff in the department.



Activity 4

What problems did the MNC face during HRD Audit?



Summary

- HRD audit is a comprehensive evaluation of the current HRD strategies, structure, systems styles and skills in context of the short and long-term business plans of a company.
- It provides inputs required to assess all aspects of HRD and assign the HRD score for the company on a number of dimensions.
- Its main objective is to align the HR function (structure, systems and processes) with business goals or to create a business-driven HR function.
- Since it is incomprehensive, it uses a variety of methods including interviews, observation, secondary data analysis and workshops. It has to be business-driven and comprehensive.
- There are numerous reasons why companies go for HRD audit, the main ones being growth and diversification, promoting professionalism, improving HRD strategies and enhancing the direct contribution of HRD to business.
- Experience has shown HRD audit to have tremendous impact on business in areas of strategic planning, role clarity, streamlining practices, better policies, top management styles, improvement in HRD systems, focus on competence and TQM interventions. However, proper implementation and top management support are both very crucial for its success.



Keywords

- **HRD audit:** A comprehensive evaluation of the current HRD strategies, structure, systems, styles and skills in context of the short and long-term business plans of a company.
- **Large-scale interactive process:** A methodology in which a large number of executives from an organisation participate to conduct HRD audit.



Self-Assessment Questions

1. Examine the need for HRD audit in organisations.
2. Explain the concept of HRD audit.
3. What role does HRD audit play in business improvement?
4. State the methods used in HRD audit.
5. What are the limitations of HRD audit?

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6. Explain the methods of individual and group interviews in HRD audit.
7. How does HRD audit strengthen recruitment policies and procedures?
8. State two reasons why companies want HRD audit.

Answers to Check your Progress

Check your Progress 1

Multiple Choice Multiple Response

1. The companies undertake HR audit for the following reasons:
 - i. To make the HR function business-driven.
 - iii. For growth and diversification.
 - iv. For promoting professionalism among employees.
2. HRD audit starts with:
 - i. Examining whether the existing HRD structure in the company is adequate enough to manage the HRD in the company.
 - ii. By identifying the styles of managing people of the top management and senior manager in tune with the learning culture.
 - iii. By assessing the current skill base of the employees in the company in relation to the various roles and role requirements.

Check your Progress 2

State True or False.

1. True
2. True
3. False
4. True
5. False

Check your Progress 3

Match the following.

- i. – b.
- ii. – d.
- iii. – a.
- iv. – e.
- v. – c.

Check your Progress 4

Multiple Choice Single Response.

1. A limitation of HRD audit is:
 - i. When HRD audit is conducted as a fashion or as a requirement of someone else, it can have some negative results.



Suggested Reading

1. Rao, T.V. *HRD Audit*.

Notes

Notes

Managing Change through Continuous Improvement

UNIT

11

Structure:



11.1 Introduction

11.2 Challenges before the Human Resource Manager

11.3 Responding to Change

11.4 Effect of Competition on Human Resource Management

11.5 Techniques of Continuous Improvement

11.5.1 Benchmarking

11.5.2 Business Process Reengineering

11.5.3 Other Useful Tools

Caselet

Summary

Keywords

Self-Assessment Questions

Answers to Check your Progress

Suggested Reading



Objectives

After going through this unit, you will be able to:

- Identify the challenges of the modern times in an organisation
- Analyse the role of the human resource manager in the changed times
- Explain the tools of continuous improvement in human resource management

11.1 INTRODUCTION

The corporate world in the new economic environment is experiencing a paradigm shift in management thought where human resources have become the key asset of an organisation and strategic human resource management is recognised as an important element to achieve competitive advantage.

Moreover, this era of fierce competition and ever-changing global markets has resulted in a shift in organisational design from command, control and compartmentalisation to:

1. Smaller companies employing fewer people, with greater emphasis on teamwork.
2. Service orientation with a sharper focus on customers.
3. A network of specialists — a far cry from the bureaucratic way of functioning and integrated hierarchies.
4. Performance-linked pay rather than seniority-based pay.
5. A redefined work culture that focuses on constant learning and continuous improvement. (Cascio 1995)

The emerging scenario is highly complex, necessitating speed, flexibility, precision, quality and the ability to change for survival and success. All these underline the need for the human resource function to reinvent itself. Before catalysing organisational change and adding value through strategic management, the human resource personnel need to critically assess their role of strategic business partners within the organisation. This is a shift from their earlier supportive, functional role. Human resource personnel now need to imbibe general business capabilities in addition to their specialisation (Walker 1990).

The new organisation is based on a network of alliances and partnership. The stakeholders comprise not only the shareholders, but also the employees, suppliers, customers, local community and global partners. These changes call for a shift in approach from reactive human resource management to a proactive and innovative one. Human resource managers should be able to go beyond merely responding to business strategies and be able to anticipate and prepare

for the future needs.

This involves the formulation of a strategy to reorient organisational culture to bring about openness, transparency, mutual trust and healthy competition among employees.

A major impediment to organisational efficiency is lack of proper communication and information flow. One reason for this is compartmentalisation, i.e., groups of employees working towards different goals with little knowledge of other functions or understanding of the overall goals of the organisation. The human resource function can play a vital role in redefining the role of the middle management to reduce bureaucracy, building synergies across the organisation and networking.

As organisations move away from traditional, hierarchical systems of management, teamwork, shared goals, individual and group learning and planning for team action become increasingly important. In addition, appropriate feedback mechanisms with internal and external customers to gauge and enhance effectiveness must be instituted.

11.2 CHALLENGES BEFORE THE HUMAN RESOURCE MANAGER

With the increase in competition, locally or globally, organisations must become more adaptable, resilient, agile, and customer-focused to succeed. Within this change in environment, the HR professional has to evolve to become a strategic partner, an employee sponsor or advocate, and a change mentor within the organisation. In order to succeed, HR must be a business-driven function with a thorough understanding of the organisation's big picture and be able to influence key decisions and policies. In general, the focus of today's HR Manager is on strategic personnel retention and talent development. HR professionals will be coaches, counsellors, mentors and succession planners to help motivate organisation's members and their loyalty. HR managers will also promote and fight for values, ethics, beliefs and spirituality within their organizations, especially in the management of workplace diversity.

To remain in business, human resource managers need to efficiently handle the following human resource challenges:

1. **Handling multicultural/diverse workforce:** Dealing with people from different age, gender, race, ethnicity, educational background, location, income, parental status, religious beliefs, marital status and ancestry and work experience can be a challenging task for HR managers. With this, managing people with different set of ideologies, views, lifestyles and psychology can be very risky. Effective communication, adaptability, agility and positive attitude of HR managers can bind the diverse workforce and retain talents in the organisation.
2. **Managing change:** Bringing change in organisational processes and procedures, implementing it and then managing it is one of the biggest concerns of HR managers. Business environment is very

volatile. Technology keeps changing every now and then. All thanks to globalisation. Upgrading the existing technology and training people for them is a tough job for HR department. The success rate of technology change depends how well HRD can handle the change and manage people issues in the process.

3. **Retaining talents:** Globalisation has given freedom to working professionals to work anywhere in the world. Now that they have endless lucrative opportunities to work, hiring and retaining the best industry talent is no joke. Maintaining harmonious relations with them, providing excellent work environment and offering more remuneration and perks than your competitors can retain and motivate them.
4. **Conflict management:** HR managers should know how to handle employee-employer and employee-employee conflicts without hurting their feelings. Although it is almost impossible to avoid conflicts among people still handling them tactfully can help HR managers to resolve the issues. They should be able to listen to each party, decide and communicate to them in a convincing manner in order to avoid future conflicts.

HR professional must be proactive with all strategies and action plans in order to meet the changing needs of the organisation. They must be thorough with the basic functions of HR including planning, organising, leading and controlling human resources.

11.3 RESPONDING TO CHANGE

An organisation comprises a network relationship involving human and physical resources. There are several ways in which human resource management can strengthen these relationships to accomplish organisational goals.

Change management is a broad discipline that involves ensuring change is implemented smoothly and with lasting benefits, by considering its wider impact on the organisation and people within it. Each change initiative you manage or encounter will have its own unique set of objectives and activities, all of which must be coordinated.

With globalisation and technological changes feeding each other, business paradigms have undergone a major shift. Information technology has resulted in flatter structures and less hierarchical control in organisations. This has led to a reduction of supervisory levels with fewer middle managers. Thus, the role of middle managers will need to be redefined. They can no longer be only collectors and fillers of information but will have to add value to the organisation. They will need to run system and create new ones if required, facilitate the efficient flow and utilisation of information and work transnationally.

Middle managers and supervisors should be trained to become independent entrepreneurs. Moreover, to avoid stagnation, they should aim to get promoted to higher management levels through continuous learning. Middle managers

need to come out of their traditional ways of following instructions from their superiors.

Today, the Indian manager is more productive, creative and innovative and operates in a flexible time frame, which may require working longer than nine-to-five working hours. He is enthused by the diversity in work and the opportunity to meet people and markets worldwide. Thus, the Indian manager is more than happy and satisfied to push the frontiers of his job responsibility.

Competition has placed several demands on Indian companies, especially in terms of revamping the organisation to meet contemporary needs. To remain competitive, organisation will have to achieve higher productivity levels with fewer resources. This may lead to the abolition of many jobs to make way for new and different job profiles.



Check your Progress 1

State True or False.

1. “Building people to build the business” is the new credo in organisations.
2. To remain competitive, organisations will have to achieve higher productivity levels with fewer resources.



Activity 1

Interview an HR manager of any organisation and find out any two challenges he/she has faced during the previous year.

11.4 EFFECT OF COMPETITION ON HUMAN RESOURCE MANAGEMENT

A new management profile is ,where managers should take into cognizance the fact that organisational competitiveness is linked to human resource competence. Business should be viewed holistically. The human resource manager should develop competence in dealing with employees as well as other organisational stakeholder – customers, investors, owners, etc.

In the current Indian scenario, while public services are being privatised, private sector organisations are also in the process of re-examining their structures and job roles. Traditional hierarchies are making way for innovative structure to manage organisations.

Another example can be seen at a US-based industrial design firm, where there is no position as a head or chief. Instead, importance is given to hiring the right people for the right jobs. Such organisations are usually project based and require no supervision or instruction. Learning from the success or failure of the project, the workers improve their individual efforts and collective

resources. This strategy is based on Maslow's concept of self-actualisation at the workplace, where human beings perform best when they have the freedom and responsibility for doing their job (Dua 1996). Indeed, the world of human resource is changing dramatically as new technologies, products and market realities emerge.

11.5 TECHNIQUES OF CONTINUOUS IMPROVEMENT

In the past, despite inherent capabilities many Indian companies were non-competitive and complacent due to the protectionist and inward-looking economic policies. The present business environment, however, requires both private and public sector enterprises to continuously hone their skills, inculcate the best practices across divisions and functions, reengineer their business processes, and keep reinventing themselves through continuous learning and innovation. We will discuss two important tools – benchmarking and business process reengineering – used for bringing about continuous improvement.

11.5.1 Benchmarking

In an era of constant environmental change, total quality management is the need of the hour for Indian companies. While greater emphasis on the product quality is required to survive in any business in today's competitive environment, customer service has to be given equal importance. For this purpose, new management tools and techniques need to be developed (Chakraborti 1996). Benchmarking is one such structured management tool, and involves the simple act of comparison and learning for organisational improvement (Lahiry 1992). A company can improve its own process and systems by carrying and learning from other leading companies excelling in specific areas. This does not imply blind imitation, but act of absorbing and incorporating the best contemporary practices that are relevant to the company's needs. Benchmarking has wide applicability for various functions and also serves as an important vehicle for implementing contemporary strategic human resource policies and practices.

Xerox Corporation first used the term "benchmarking" in the mid-1970s, when the American copier market was facing increasing competition from Japanese companies. Moreover, IBM and Eastman Kodak were competing with high-end copiers. To regain dominance, Xerox started emergency manoeuvres in 1983. It devised and successfully implemented strategies finding out and reflecting the world's best practices in various areas. For example, it singled out Ford Motors for plant layout; Express for efficient billing; Florida and Light for quality improvement. It also adopted the method of sales through catalogues (thus avoiding bottlenecks in shipping and warehousing operations). The Xerox management christened this new management strategy "benchmarking". In 1989, Xerox was awarded the Malcolm Baldrige National Quality Award for its efforts. It should also be mentioned that Japanese firms had long been benchmarking other companies, many of them American (Ohinata 1994).

Benchmarking for Competitive Advantage

It is worth noting that successful benchmarking begins with the mind and has to be approached with the attitude of a learner. It requires the humility to learn from someone else and the wisdom to implement, match and perhaps better the best practices. This is especially relevant in the case of benchmarking human resource practices, where a human element forms a major component.

An essential ingredient for a successful benchmarking programme is to prioritise and focus on a few business practices or functions that will affect the critical success factors of an organisation at a given point in time. One can identify appropriate internal and external benchmarking and most importantly, absorb the relevant best practices to enhance organisational effectiveness.

Types of Benchmarking

The objective of benchmarking is to understand and evaluate the current position of a business or organisation in relation to “best practices” and to identify areas and means of performance improvement.

There are a number of different types of benchmarking, as summarised below:

- i) **Internal benchmarking:** It involves comparison of two or more units/divisions/departments within the same organisation. Comparisons primarily involve operational, performance and systemic parameters. The internal investigations may in turn facilitate external study.
- ii) **Competitive benchmarking:** It involves comparison with a direct competitor. This information exchange is facilitated through an understanding between the companies that the investigation would prove advantageous for both. If desired, a third party or a consultant who guarantees confidentiality and anonymity can carry it out. Selection of an appropriate benchmark and target organisation is critical for success in this case.
- iii) **Functional benchmarking:** Learning from organisations that are industry leaders in specific areas, even if in dissimilar industries, is termed as functional benchmarking. This exercise can be highly productive with the correct determination of (i) the industry leader (ii) the “fit” of certain operations, product profile and customer profile, etc. to be benchmarked and (iii) a system for absorbing the practices.
- iv) **Generic benchmarking:** This involves an analysis of various systems or functions, which are common across different types of industry, with the aim of integrating them into an organisation. For instance, the best practices in customer service, logistics, billing, order fulfillment, etc. could be analysed for absorption by an organisation. The major advantages of this method are:
 - a) It is readily transferable, and proven systems can be implemented with minimal modifications.
 - b) New practices that have been previously implemented in an entire industry can be brought in, giving an organisation an edge over its rivals.

Notes

Dr. Bill Camp (1996) recommends a mix of these different types of benchmarking, to which different weightages can be assigned depending on the type of business. Local benchmarking, i.e., within an industry, is also encouraged, especially in situations where there already exist a sufficient number of successful companies. Moreover, it also serves as a suitable option when practical considerations, such as cost preclude a global approach.

Another Classification of Benchmarking

Y. Ohinata (1994) has also categorised benchmarking into the following types:

- i) **Product benchmarking:** It mainly reflects the Japanese penchant for imitating and launching cost-effective “me-too” products.
- ii) **Functional benchmarking:** It primarily aims at improving the quality and efficiency of specific functions, such as marketing practices, human resource development, etc.
- iii) **Organisational benchmarking:** It involves learning from the organisational structures of different companies. Highly successful functional models developed by the Japanese have been adapted world over. These include Konosuke Matsushita’s system of divisions (profit centres) with a centralised banking system, the Just-in-Time (JIT) system and the Point of Sale (POS) system.
- iv) **Strategic benchmarking:** It aims at learning from the successes, failures and outcome of different strategic initiatives relevant to the industry. These could be initiatives for diversification, backward and forward integration, prioritised resource allocation, and so on.

Benchmarking thus serves as a valuable tool to remain competitive. It is often used in conjunction with total quality management, restructuring and re-engineering programmes. Table 11.1 depicts the various phases in the benchmarking process.

Recently, a more potent version of benchmarking – multi-company collaboration – has also emerged. One example of this is the American Productivity and Quality Centre’s International Benchmarking Clearing House. This is a common forum where companies of various backgrounds benchmark against each other by pooling in data of their respective practices. However, one must bear in mind that benchmarking is a process for self-improvement and not for annihilating a competitor who is providing the data.

Ohinata, who has examined the Japanese experience in benchmarking, believes that for benchmarking to be really successful it should be a continuous process with a spirit of give and take between the initiator and the target organisation. Moreover, one must progress by first changing those areas that are easily accessible, and then take greater leaps to achieve the more difficult goals.

The Benchmarking Process

Benchmarking is not just a competitive analysis. It goes much further than a simple examination of the pricing and features of competitors’ products

or services; it considers not only the output, but also the process by which the output is obtained. Benchmarking is much more than market research, because it considers the business practices that enable the satisfaction of customer needs and thus helps the organisation to realise superior business performance.

Benchmarking is a systematic and continuous process that enables organisations to identify world-class performance and measure themselves against that. The process of benchmarking is as follows:

Table 11.1: The Benchmarking Process

Planning phase	1. Identifying who and what to benchmark
	2. Collecting data and information
Analysis phase	3. Determining the “gap” between the current status and the benchmark
	4. Forecasting levels of performance
Integration phase	5. Communicating findings and gaining acceptance from organisation
	6. Establishing functional goals
Action phase	7. Preparing an action plan
	8. Implementing and monitoring
	9. Recalibrating benchmarks
	10. Inculcating best practices and achieving the leadership position

Benchmarking Human Resource Policies and Practices

Human resource management offers wide latitude for the benchmarking process as it is amenable to internal, competitive, functional and generic benchmarking. An organisation should benchmark to develop a holistic model for its human resource function, which is tuned to its corporate objectives and serves to enhance its competitive edge. The model should include appraisal of the human resource function in terms of its contribution, both direct and indirect, and also financial and non-financial, to the overall profitability and effectiveness of the organisation.

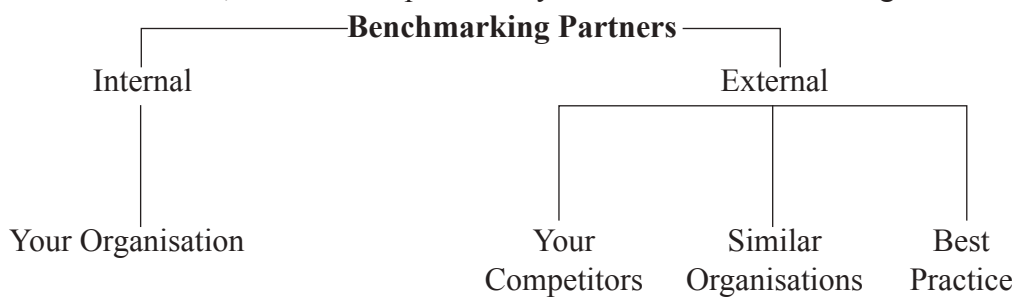


Fig 11.1 Benchmarking Partners

The relative weightage to be given to each area for benchmarking is best determined by an organisation’s objective pressures. An effective approach would be to identify and focus on an aspect that will have maximum impact on critical performance areas.

Virtually any process, system or product in a company can be benchmarked. Over 150 disciplines and systems have been identified for benchmarking.

Dhawan (1996) has delineated the following human resource related systems and processes, such as absenteeism, compensation, employee development, change management, employee benefits, human resource planning, human resource management, productivity, reengineering, retirement, staffing, employee empowerment, employee recognition and employee suggestion.

While identifying areas suitable for benchmarking, Roberts (1995) says that the impact of human resource strategy on an organisation's performance needs to be measured using the bottom line as the base. In fact, the evaluation must go beyond the bottom line; the effect of each practice on the overall competitiveness of the company needs to be measured. For each industry, it is necessary to identify the relevant human resource practices for benchmarking based on various factors, such as the prevailing work culture, company history and employee relations. For instance, for certain industries, recruitment and retention and performance evaluation may be priority areas for benchmarking, whereas for others, retraining, exit policy and union relationship may be more necessary.

A study by Roberts (1995) for measuring business performance has pinpointed how strategic human resource management can improve performance and increase profits. The study gives an insight into how a well-defined human resource strategy can transform a business into a profitable venture. He has suggested the following measures for that:

- i) **Participation of management:** An increase of up to 15% in profitability is possible if managerial participation in decision-making and business strategy is increased.
- ii) **Open style of management:** An increase in profitability by 28 % is possible if all levels of management are unanimous about the need to change. Further, if people are "open" and are a right match to the culture of the company it clearly makes a lot of difference to business performance.
- iii) **Delegation of risk-taking power to managers:** Managers should be empowered to take risks to get results. Managers, in turn, should follow a middle-of-the-road approach to balance the benefits and dangers of risk taking.
- iv) **Composition of top management team:** Small businesses have been found to achieve higher profitability with the recruitment of a high percentage of new blood or employees; whereas larger organisations require more experienced, homegrown managers.
- v) **Training of managers:** There is a direct correlation between management training and profitability, especially in companies committing 5–35 days a year towards training.
- vi) **Incentives for top management:** This helps to generate better performance. However, the impact of incentives can vary with the level of the managers.

- vii) **Succession planning:** A formal succession planning system is a critical element for building an organisation, which has the inherent strength and depth to regenerate and reinvent itself. Identifying, grooming and empowering successors as part of the job description can achieve this.
- viii) **Performance appraisal:** A professional, well-oriented appraisal system considerably enhances both individual and company performance.

Traditional performance measures, such as profitability, return on investment, etc. usually cover only the financial aspects of an organisation and prove to be myopic and insufficient in the long term. Also, financial performance measures should be supplemented by the non-financial indicators of the underlying processes. This acquires additional significance for benchmarking and human resource policies and practices. The model designed by the European Foundation for Quality Management (EFQM) includes both financial and non-financial parameters with special emphasis on the latter.

Action Steps for Effective Benchmarking

The goal before the human resource manager is to use benchmarking as an effective tool to bring about transformation in his organisation.

A manager should consider the benchmarking exercise as a “project” that must show results. To begin with, the manager should:

- a) Understand why such a study is being conducted. Is it because of the influx of new technologies or loss of customers/market share, or is it a current business priority, both in terms of solving problems and seeking new opportunities?
- b) Prepare a report that documents the processes or functions the exercise will address, the extent to which the exercise will improve those areas, and the likely result of these improvements on the organisation, customers, employees and shareholders.
- c) Identify the human resource related areas to be benchmarked and prepare a list of the sources of the excellent practices to be followed.
- d) Evolve the scope of the study that includes project duration, resource and budget requirement and key players (employees, vendors/suppliers, customers) and their roles.
- e) Review the methodology or the research techniques to be used. These steps will enable the department to gather valuable competitive comparison data that will help the organisation to take corrective measures wherever necessary.

11.5.2 Business Process Reengineering

The contemporary practice for enhancing organisational growth involves focus on internal and external factors, such as customer’s needs, market trends, cost, quality, service and speed of delivery. Improvement in these requires constant redesigning and rethinking of existing business strategies and processes. This practice helps to create a dynamic and flexible organisation.

Business Process Reengineering (BPR) is the ability of an organisation to step back and rethink the way it does business. It further helps the organisation to improve efficiency and effectiveness, and achieve competitive advantage. A successful reengineering programme will move an organisation from rigid compartmentalisation to a more fluid environment. This will involve the formation and disbanding of teams comprising employees with different specialisations, as and when required.

Poor business performance, unhappy customers, incorrect timing in marketing a product, etc. signal that time is for change. Business reengineering often shifts the power base, changing the “command-and-control” approach to “mobilise and enable”. Effective reengineering involves focus on all four business components: strategy, business processes, people and technology. All these areas must fully support each other if the reengineering exercise is to be proved fruitful. Strategy involves focus on customers’ needs, competitor benchmarking and forecasting market trends.

Business processes are undergoing a transformation where a function-oriented company changes into a process-oriented structure, where service delivery, customer satisfaction and product development are the key components. Further, when a process changes so does the job profile of the concerned employee. Therefore, rightsizing, empowerment and performance-based job security are essential elements of successful reengineering.

An employee can experience a sense of ownership in a company only if the organisation believes in sharing (with teams having a common objective), caring (allowing honest and open communication and mutual support), and daring (encouraging entrepreneurial adaptation capabilities with stress on innovative skills and collaborative decision-making). Merit-based rewards, promotions, recognition, training and development, etc. can further create a sense of bonding with the organisation. Thus, through the interventions of the human resource function, the concept of business process reengineering can be institutionalised, which can further help transform corporate goals into business realities. Human resource reengineering is important for the human resource function to reposition itself for high value-added services.

However, Dave Ulrich (1994) says that the idea of utilising human resources as a strategic business partner is still at a level of rhetoric rather than reality. For that to happen, the human resource department should move out from routine transactional activities, such as paperwork, playing the role of intermediary between managers and employees or between information and people, and let IT take care of these activities. A few examples of the use of IT to increase efficiency are stated below:

- Apple Computer used advanced information technology to reduce clerical and transaction expenses and to eliminate the non-value-added work. This paved the way for efficient utilisation of resources.
- At Hewlett Packard (HP), the Employment Management System (EMS) directs resumes from applicants to a centralised employment response

centre. The information is scanned through character recognition technology at the centre and then made available to HP personnel departments. Another system, the Telephone Activated Benefits System (TABS), answers queries related to HP benefits, such as medical, retirement and stock plans.

Thus, rapid advancement in IT is transforming the human resource function as routine transactional activities are being automatised, streamlined, reengineered and substituted by high-powered information systems.

On other hand, today's human resource professionals need to move towards effectively fulfilling the multiple roles of:

- Change agents who are able to create the capacity and desire for change.
- Strategic partners who are able to link business strategy to human resource practices.
- Administrative experts who are able to create efficient human resource processes and business processes.
- Employee champions, who are able to relate to and meet the needs of employees (Ulrich 1994).

The human resource function should be customer-focused rather than functionally driven and should be able to add value in quantifiable terms. Human resource professionals need to deliver higher quality services, create an effective competitive corporate culture and reduce the human resource related administrative costs.

Reengineering requires planning and effort. If not taken seriously, it can be detrimental rather than beneficial. Effective leadership, organisational readiness and style of implementation are important inputs for its success. Given below are a few examples of companies, which have used reengineering as a tool to enhance organisational effectiveness.

Five teams have been formed at American Express to reengineer processes in organisational development, performance management, staffing and skilling and rewards system.

At Intel, the corporate staffing division has reduced recruitment time by reengineering its campus recruitment, interview and internship systems.

Some of the human resource systems in IBM have been converted to profit centres, which offer services for a fee to IBM businesses. One such profit centre, the IBM Workforce Solutions Company (WFS), was formed and given monopoly position for a limited time, after which it had to compete with external vendors for IBM business. It was also to service external customers.

Many organisations, such as Nissan, Hallmark, Bell Atlantic, Reuters and Capital Holding, have redesigned their processes by creating cross-functional teams, which take into cognizance improvements in time, costs and quality.

Reengineering can be applied to human resource management within an organisation and to each individual process with appropriate linkages for a

unified, synergistic approach. It is also applicable to the management process and can be technology-driven or process-driven or both. It is necessary for those leading the change process to have a macro-level perspective of the corporate plan and the human resource function, and an understanding of the macro-level process and specific changes that are needed to achieve the overall objective. The challenge before human resource professionals is getting people to accept the need for reengineering. For the exercise to be really effective, the human resource function requires the total support and commitment of the top management and senior professionals responsible for implementing change. When undergoing a process of change, new paradigms, which are in sharp contrast to the old way of doing things often, need to be defined. This requires an element of boldness, creativity and innovation. Resistance to change is natural and inevitable. Human resource professionals sometimes underestimate the level of psychological and political resistance within the organisation. A major reason for resistance to reengineering is a challenge to the existing organisational hierarchy. There is fear of losing power and confusion over new roles. Thus, communicating the benefits of the business process reengineering is a key element to be kept in mind before precipitating change.

Action Steps for Reengineering

We have seen that business process reengineering can serve as a powerful tool for transformation of organisations. The challenge before human resource manager is to successfully handle the reengineering exercise using the following measures:

- i) **Identifying key signals:** Factors that suggest a need for reengineering should be recognised. These include excessive hierarchies within an organisation leading to delays in decision-making, slow response time to customer needs, high turnover of employee, etc.
- ii) **Carrying out a needs assessment:** The early diagnostic phase is critical for determining areas that merit the most attention and those that will provide maximum return-on-investment for reengineering efforts. Moreover, these areas should include market needs, customer-satisfaction parameters so that internal deficiencies can be corrected.
- iii) **Setting performance targets for reengineering:** Value-added services that facilitate the achievement of corporate goals and provide the organisation with competitive advantage should be identified. Once the areas are identified, quantifiable targets can be agreed upon.
- iv) **Involving the top management:** Top management support is of paramount importance since reengineering has the power to change the destiny of a company and its internal and external stakeholders. It is also important to identify the very best people to champion the change process at the departmental and functional levels. Successful examples of reengineering human resource have usually involved championing by the senior-most human resource professionals.

- v) **Collecting data and redesigning on a clean slate:** A comprehensive study of market trends, customer needs, internal strengths and weaknesses and competitors' benchmarking facilitate accurate decision-making. This should be followed by a fresh look at policies and practices relevant to the area under consideration. Based on this, a plan for redesigning should be prepared.
- vi) **Forming a steering team and implementation team:** Teams comprising senior managers, human resource professionals, line managers and consultants should be formed, interlinked and assigned specific responsibilities. Hout and Carter (1995) state, "Reengineering works only if the company's best people develop new processes, designs and then sell them to the organisation". It is necessary for the steering and implementation teams to not only guide and energise the changed efforts, but also communicate their benefits across the organisation. The teams are responsible for diagnosing a particular situation generating possible options, selecting the best option, recommending the requirements and budgetary allocations, evolving action plans and monitoring progress milestones during implementation.
- vii) **Pilot testing reengineering systems:** A trial run is necessary to confirm and demonstrate the effectiveness of the systems and fine tune new processes. It makes the processes iterative rather than linear and facilitates learning.
- viii) **Empowerment, accountability and monitoring:** It is important to empower managers and employees by making them responsible for the completion of the exercise. However, monitoring by the steering group is essential.
- ix) **Creating a sense of urgency:** Unless the reengineering efforts are accorded top priority and a compelling programme is implemented, the gains are likely to be few.
- x) **Managing fears associated with change:** Inevitably reengineering leads to anxieties, politics and power struggles within an organisation. In such a case, the human resource managers need to re-emphasise the benefits of the exercise and bring about a change in attitudes. The manager should ensure that the employees feel as if they are carrying out the reengineering exercise rather than being reengineered themselves. Thus, the human resource department can become an internal change agent towards making people accept and profit from a new way of doing business.

11.5.3 Other Useful Tools

Besides business process reengineering and benchmarking, there are some other useful tools to bring about continuous improvement in an organisation. Give below is a brief description of these tools.

- i) **Urgency motivation:** This can be explained by a situation where dynamic, profitable organisations foresee a crisis, say on account of environment change or complacency, and initiate a radical transformation by breaking status barriers and restructuring organisational relationships.

- ii) **Human resource accounting:** Human Resource Accounting (HRA) can be used in making managerial decisions. It measures the cost involved in recruiting, hiring, training and developing employees on one hand, and budget their economic value to the organisation, on the other. Employees' value and contribution is then recorded in the financial accounts that act as an indicator for organisational competitiveness with regard to performance and behavioural attitudes.
- iii) **Human resource audit:** Human resource audit is another method used for business improvement. It involves the preparation of an employee competency checklist by the head of the human resource department in conjunction with the internal customers of the organisation (head of departments), in order to evaluate the human resource function with respect to the vision, strategy and goals of the organisation. It attempts to compare the current human resource development activities with the future needs of the company. Thus, it can be used to find out the competency "gaps" at different hierarchical levels in different departments. Human resource audit is more of a start-off methodology to bring about a change. Another alternative in this area is to hire consultants to do the job as they can view the organisation from a critical and unbiased perspective.



Check your Progress 2

Match the following.

- | | |
|--|---|
| i. Human resource audit | a. Generic benchmarking |
| ii. Analysis of various systems or functions common across different types of industry | b. Method used for business improvement. |
| iii. POS system | c. Reengineering requisites for success |
| iv. Effective leadership, organisational readiness and style of implementation | d. An organisational benchmarking technique |

Fill in the blanks.

- _____ is the ability of an organisation to step back and rethink the way it does business.
- _____ benchmarking primarily aims at improving the quality and efficiency of specific functions.
- _____ benchmarking involves comparison with a direct competitor.
- The Xerox management christened their new management strategy as _____.

Multiple Choice Single Response.

- The ability of an organisation to step back and rethink the way it does business is called:
 - Business process reengineering
 - Human resource accounting
 - Human resource audit
 - Benchmarking



Activity 2

Write down two examples of techniques/electronics gadgets used in organisations that lead to better utilisation of resources.

Caselet

Anagram Finances is a ten-year-old finance company employing over 500 employees in its four branches in the Pune region. The company started at the initiative of Mr. Banerjee, the manager who is a man of vision and talent. Over the years, the manager noticed changes around him, and he now wants to improve the success rate of his firm. He wants to introduce a spirit of professionalism in his employees. Many of the employees of his firm are not even computer literate. There is a sense of frustration, stagnation and lack of killer instinct in the people. The manager wants to incorporate the changes in the field of information technology and motivate people to adopt and accept the change. He appoints a young, dynamic personnel manager to apply his innovative, creative and productive policies and infuse strength in the firm.

If you were the personnel manager, how would you handle the situation? What would be your line of action?



Summary

- The impact of liberalisation on the Indian economy and industry has been, and will continue to be, profound. Indian companies that had earlier enjoyed a sheltered economy have to still come to terms with the paradigm shifts in the various sectors of industry.
- At the same time, the current situation offers unprecedented opportunity for Indian companies to grow. On the other hand, the current situation demands that organisations be equipped to stand up to ruthless competition. The various tools and methodologies are of paramount importance for Indian companies to survive, and hopefully, to lead. In the last decade, the concepts of business process reengineering and benchmarking have found wide global acceptance.
- The organisations have to respond to change positively with minimum of pressures and resistance. The tools of continuous improvement are benchmarking, business process reengineering, urgency motivation, human resources accounting, human resource audit etc.
- The prerequisite for the absorption of these processes is for Indian organisation to change the old order into the new. Today, Indian companies are on a steep learning curve. This is for the overall good of industry and, in the long term, will lead to the emergence of globally competitive Indian companies.

Notes



Keywords

- **Continuous improvement:** Efforts to improve the quality of one's work or product by continuously sharpening and upgrading one's skills and capabilities.
- **Benchmarking:** The process of comparing the processes and systems of one's own company with that of another, and adopting the best practices and learning the new techniques for organisational improvement.
- **Business process reengineering:** The ability of an organisation to step back and rethink the way it does business.



Self-Assessment Questions

1. What are the challenges before the human resources manager in the changed business scenario?
2. Write down two points as to what will happen if people are not ready to accept and adopt changes in the organisation?
3. What are the various ways of benchmarking?
4. What are the action steps for effective benchmarking?
5. What is business process reengineering?
6. What are the useful tools of continuous improvement?

Answers to Check your Progress

Check your Progress 1

State True or False.

1. True
2. True

Check your Progress 2

Match the following.

- i. – b.
- ii. – a.
- iii. – d.
- iv. – c.

Fill in the blanks.

1. Business process reengineering is the ability of an organisation to step back and rethink the way it does business.
2. Functional benchmarking primarily aims at improving the quality and efficiency of specific functions.
3. Competitive benchmarking involves comparison with a direct competitor.
4. The Xerox management christened their new management strategy as benchmarking.

Multiple Choice Single Response.

1. The ability of an organisation to step back and rethink the way it does business is called:
 - i. Business process reengineering



Suggested Reading

1. Gray, Jim ed. 1993. *The Benchmark Handbook for Database and Transaction Systems*.
2. Nambiar, Raghunath, Poess, Meikel eds. 2009. *Performance Evaluation and Benchmarking*

Notes

Notes

Structure: 

- 12.1 Introduction
- 12.2 Components, Elements and Functions of Good HR Practices
 - 12.2.1 Components of Good HR Practices
 - 12.2.2 Elements of Good HR Practices
 - 12.2.3 Functions of HRD Department
- 12.3 Research Evidence of Good HR Practices
- 12.4 Impact of Good HR Practices in India
 - 12.4.1 HRD in India
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- 12.5 HRD and Organisational Effectiveness
- 12.6 Approaches to evaluate HR Function
 - 12.6.1. The Balanced Scorecard Approach
 - 12.6.2 Strategic HR Framework
 - 12.6.3 Integrative Framework
 - 12.6.4 The Human Capital Appraisal Approach
 - 12.6.5 HRD Scorecard: A Proposed Model

Summary

Key Words

Self-Assessment Questions

Answers to Check your Progress

Suggested Reading



Objectives

After going through this unit, you will be able to:

- Explain the components of good HR practices
- State the elements of good HRD
- Evaluate the various approaches to HR function

12.1 INTRODUCTION

Good HR practices have a tremendous influence on business outcome. There is ample research and experimental data to suggest this. While data from the West comes from systematic researches, the Indian experience is documented in case studies of successful corporations and reports. This unit presents research studies from the West as also some Indian case studies to conclusively show that good HR practices do indeed make a difference in terms of business effectiveness.

12.2 COMPONENTS, ELEMENTS AND FUNCTIONS OF GOOD HR PRACTICES

Some of the important components and elements of good HR practices are discussed below.

12.2.1 Components of Good HR Practices

Any practice that deals with enhancing competencies and commitment of employees and building organisational culture can be considered an HR practice. The practice can take the form of a system, a process, an activity, a norm, a rule, an accepted or expected habit or just a way of doing things. Human resource development (HRD) has been defined as essentially consisting of three Cs: Competencies, Commitment and Culture. All three are needed to make an organisation function well. Without competencies many tasks of the organisation may not be completed cost-effectively or with optimal efficiency. Without commitment, they may not be done at all or are done at such a slow pace that they lose relevance. Without an appropriate culture, organisations will find it difficult to live. It provides the oxygen needed for them to survive. Its utility comes to the fore especially when organisations are in trouble.

- **Competencies:** Competencies are not merely related to a single individual. They can also relate to pairs of individuals. For example, the boss and her/his subordinate, two departmental heads, two managers or any two people who transact organisation-related activities. When a particular boss-subordinate meet, they have such a high mutually empowering attitude and style that they end up doing many more things more effectively than other pairs in the same organisation. Similarly, two departmental heads may have a high degree of conflict-resolution capability so that their

transactions are extremely smooth even when their tasks may require them to pull in seemingly two different directions (for example, cost reduction versus stock inventory to take care of unexpected raw material shortages). Competencies may also relate to a team or a group of individuals. These include departments, task forces, teams and other formal or informal groups and/or teams that may come into existence from time to time on a temporary, permanent to semi-permanent basis. Competencies may also be related to the organisation as a whole. They may also deal with various areas and functions: behavioural, conceptual, technology, organisation and management etc. They may include a variety of skills and abilities ranging from simple awareness, knowledge and information to highly sophisticated and complex ones. Attitudes, values and habits also become competencies though they more often deal with patterns of working.

- **Commitment:** Developing commitment has a lot to do with motivation and work habits. Commitment is indicated by work effort, zeal, involvement and enjoyment of the work on the job. Commitment building should be continuous and become part of life. Commitment should be at the level of individuals, teams, the work unit and the entire organisation. Various HR systems, process and activities contribute to developing commitment among employees. At the more visible level, rewards, recognition and similar interventions can lead to greater culture, the behaviour of seniors towards their juniors, etc. influence commitment. Unlike competencies, which once developed are difficult to lose, it is easy to lose commitment, though it can be as easily gained. A particular personnel policy, for instance, may have demotivational value at one time, while the job of an HR manager is to be in constant touch with the employees and be aware of the HR systems, tools and interventions that can keep their motivation and commitment levels high.
- **Culture:** A strong culture can have a lasting effect and provide sustenance to an organisation. It gives a sense of pride and identity to individuals and teams. It enhances predictability, reduces transactional costs and also contributes to commitment. However, the culture and values associated with an organisation need to be appropriate and well articulated. The instruments of culture building include organisational climate surveys, total quality management, interventions, value-clarification exercises, vision-mission workshops, organisational-renewal exercises and various other organisation development interventions.

Good HR practices are those that contribute to one or more of the three Cs described above. They need to be identified and implemented cost-effectively, reviewed and revised from time to time to enhance their effectiveness and appropriateness.

12.2.2 Elements of Good HR Practices

The elements of good HRD are as follows:

- Corporate strategy and business-linked HRD:** HRD and HR practices should be linked to business goals and corporate strategy. As indicated by

an influential management thinker — Pfeffer (1998), irrespective of the business strategy, human resources should be continuously aligned with it. Such an alignment is in the interest of the organisation. The organisation may use a variety of strategies. Some of these include:

- i) Change in technologies or introduction of new technologies.
- ii) Change in markets.
- iii) Acquisitions and mergers.
- iv) Internationalisation of business.
- v) Addition of new products and services.
- vi) Cost-reduction efforts.
- vii) Quality-enhancement programmes.
- viii) Reorganisation or rationalisation of organisational structure including downsizing or up-sizing.
- ix) Change in equity, financial structure, etc.
- x) Joint ventures, etc.

All these have an impact on the employees or human resources in the organisation. If these strategies have to succeed, the people who are required to implement them should have a high degree of commitment. They should develop new competencies. All expansion programmes, for example, require a stretch in competencies or the use of new competencies. No technological change can be brought about without a proper HRD effort. All technological change requires readjustment of people in relation to the new technology. Acquisitions and mergers put demands on the culture building and culture integration exercises. Even cost-reduction exercises require HR interventions or can, at least, be greatly facilitated by HR departments by getting employee involvement and commitment. Performance management systems can be redesigned to promote cost reduction. Quality enhancement programmes can be facilitated by redesigning the performance management systems. Training plays a role all the time in most of those interventions as a direct competence building tool. Cultural integration can be achieved through mission-vision workshops and redesigning various HR systems.

In a research of 14 Indian organisations, it has been found that good companies use various strategies. Sometimes organisations may start HR activities for short-term goal considerations. If they do not soon graduate by ensuring that the activities are linked to corporate strategy, they may move into the wrong direction. Hence, it is important to ensure linkage between HRD and corporate strategy. All assessment of HRD should start with the business goals and business considerations. Any assessment of HRD should examine the extent to which such linkages exist. A number of approaches have come into existence in recent years. One of these is the balanced scorecard approach described later in this unit with focuses on business and HR linkages.

- b) **Systems-engineered and systems-driven HRD:** HRD cannot be a series of ad hoc decisions and practices. It has to be based on a set of predictable practices and measures. HRD literature identifies a number of systems and subsystems. Based on the last 20 years of work in this area, Pareek and Rao (1992) — the pioneers of Indian HRD — have developed the following systems framework of HRD, which is useful for an in-depth understanding of HRD.

Component Systems of HRD (Pareek and Rao's Framework)

The component systems of HRD are as follows:

- i) **Career system:** Attracting and retaining the right kind of people can be ensured through manpower planning, recruitment, continuous potential appraisal, career planning and development activities. These constitute career subsystems of the HRD system (manpower planning, recruitment and development, potential appraisals and research, promotions, career planning and development).
- ii) **Work-planning system:** This system deals with human resource utilisation, examples being role analysis (goal setting), contextual analysis and performance appraisal. Employees will effectively contribute to organisational goal if they are helped to understand organisational needs, plan their work to meet these needs, and review their work and make improvements. These activities can be grouped as a subsystem under work-planning.
- iii) **Development system:** That the required competencies are available continuously for the present as well as the future can be ensured through training, counselling and other development mechanisms. These constitute the development subsystem, such as training and learning, performance coaching/counseling, job rotation and mentoring staff (worker) development.
- iv) **Self-renewal system:** That the organisation as a whole and its subunits are constantly kept dynamic, responsive as well as proactive, can be ensured through role efficacy, team building, survey feedback, research and other related activities. These, and other activities, constitute the self-renewal system (e.g. Role efficacy, Organisation Action oriented).
- v) **Culture system:** A climate that sets norms, values and culture, and ensures a high level of motivation for employees constitutes culture-building subsystems such as HRD climate, Values, Quality orientation, Reward and recognition, Information Communication, Empowerment.

As mentioned earlier, there are various systems in HRD literature. The systems approach to HRD is inevitable. It is only a systems approach that can institutionalise HRD and facilitate its contributions. There are a number of systems. Some of these are linked with one another. It is not necessary to use all the systems at the same time. For example, it is not necessary to have job rotation as a system in all organisations. Some organisations by virtue of

their size, nature of the work and specialisation may not be amenable to job rotation. Similarly, organisations with flat structures may not be amenable to career planning and potential appraisal.

Factors like periodic evaluation of how these systems are working, whether they are working as systems, whether there is over systemisation, whether the most appropriate and potential systems are being used, can go a long way in reengineering HRD as well as realigning HRD to the organisation's business needs.

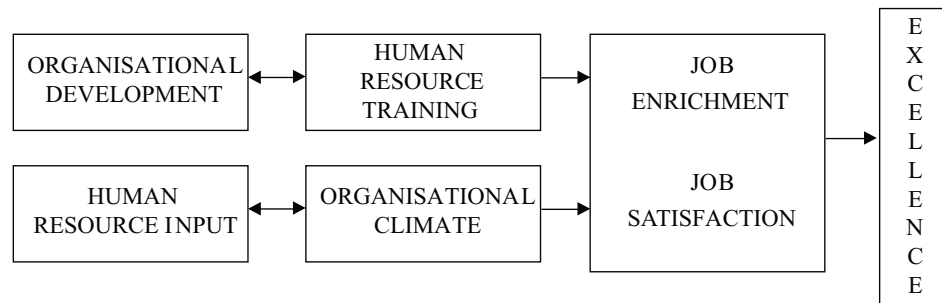


Fig 12.1: Summary of the Component Systems of HRD

12.2.3 Functions of HRD Department

HRD has a critical role to play in the achievement of organisational goals and help the organisation to achieve and maintain excellence. Good people and a good work culture make good organisations. Good people mean competent, committed, learned and team-oriented people.

Appropriately structured and competent HRD

HRD has the role of getting the right kind of people, creating a culture that nurtures and retains talent, providing avenues for competence development at all levels, ensuring utilisation of talent, and aiding in renewal of various productive human processes. While the HRD department facilitates the achievement of these goals, every senior employee becomes a facilitator of the development of both himself and those who work with him.

HRD needs to be appropriately structured and competently handled. Since the time HRD has emerged as a new profession in India, and since the time the first HRD department was set up, HRD has come a long way in India (see below for the history of HRD in India). However, post liberalization requirements and changes have shown that a lot can be improved in terms of the structuring of the HR function as well as of the professional preparation of HRD managers. As the management educator Dave Ulrich (1997) argues, human resource professionals need to have highly specialised skills to realign HRD. A competent HR manager is required to be a specialist in HR systems, facilitator of HRD processes, diagnostician, change manager, skilled craftsman and a leader. There are many other qualities required to be a good HR manager. Today, many organisations have large-sized HR departments. Do corporations need such large-sized HRD departments? More important than the size is to see which roles of the HRD department add value to the organisation. What are the

competencies required by HR professionals to orchestrate human resources and realign them with business goals? This calls for a different kind of evaluation. An evaluation of HR competencies may begin with the HR managers and HR professionals, and then extended to the HR orientations of line managers, top management, union leaders and all other categories of stakeholders. It may also deal with the competency of the HR department as a whole and examine the professional profiles and competencies of the HR staff.

While it is necessary to gauge the efficacy of the HRD department, it is also necessary to examine its structure. Some organisations have set up HRD departments with faith in them and do not really know what to expect from them. Some have set them up as they do not want to miss out by not having an HR department. In the mid-80s, there was big rush for setting up HR departments as a fashion. Many CEOs just started HR departments and cells with whatever talent they could get. With high demand for HR professionals, there were shortages of adequately trained HR professionals; HRD appeared to be anyone's territory as there was an insufficient body of knowledge. It was felt anyone could acquire these soft skills. In the absence of any clear-cut expectations from the top management, many HRD managers did what they felt comfortable with and hired whatever employees they could get hold of, irrespective of the organisational need. Thus, HRD was fashion-driven rather than organisation-driven. Another thing some HRD manager did was to expand their empires. A manager needed a deputy manager, the deputy manager needed an assistant manager, and the assistant manager needed a couple of assistants. In the recent past, organisations have realised that they are saddled with HRD structures. They are not as responsive to company needs as they are to their own growth needs. The time has come to re-examine the appropriateness of HRD structure. Thus, along with the competencies of the HRD staff, appropriateness of the HRD structure needs to be examined.

The culture of an organisation plays an important role in ensuring the capability of an organisation to achieve excellence. To gain competitive advantage through people, it is necessary to have human processes and value systems that enable the organisation to be customer-focused, cost-conscious, quality-driven, innovative, proactive, leading in technology, etc. Uday Pareek and T.V. Rao, at the time of setting up the first HRD department in India in 1975, identified certain principles to design the HR system. These principles are the roots of organisational culture. Some of those are as follows:

- a) Enhance the enabling capabilities of people.
- b) Integrate the development of people with that of the organisation.
- c) Maximise individual growth and autonomy with increased responsibility.
- d) Decentralise through delegation and shared responsibility.
- e) Encourage decision-making.
- f) Balance adaptability to change and change the organisational culture.
- g) Balance differentiation with integration.

- h) Balance specialisation with diffusion of the function.
- i) Build feedback and reinforcement mechanisms.
- j) Ensure continuous reviews and renewal.

It is necessary to ensure that all HR practices do not have only short-term objectives; they should also build long-term enablers. Enablers are the cultural dimensions. The norms, values, attitudes and other expected and valued patterns of behaviour maximise the impact of people in organisations. These values and norms should not merely be the enablers of individuals but also of the other units of work (dyads, teams and the organisation as a unit). Besides cultural dimensions, enablers also imply the styles of the seniors and the top-level managers who also influence the motivation of employees. Thus, it is important to address the following issues:

- What is the kind of culture that the organisation is able to create?
- Is it a learning and enabling culture?
- Does it empower individuals, teams and the organisation, or is it a burden on the organisation?
- What effect do the working styles of seniors have on the juniors and the entire organisation? Is it enabling or is it crippling?



Check your Progress 1

Match the following.

- | | |
|-----------------|--|
| i. Competencies | a. It gives a sense of pride and identity to individuals and teams. |
| ii. Commitment | b. They may include a variety of skills and abilities. |
| iii. Culture | c. It is indicated by work effort, zeal, involvement and enjoyment of the work on the job. |



Activity 1

Name any two good HR practices that you have seen in organisations.

12.3 RESEARCH EVIDENCE OF GOOD HR PRACTICES

Recent researches worldwide have shown that good HR practices and policies can go a long way in influencing business growth and development.

1. According to Pfeffer (1994), the researches indicate the following HR practices that effective firms adopt:
 - a) Financial incentives for excellent performance.

- b) Work organisation practices that motivate employee effort and capture the benefits of know-how and skill.
 - c) Rigorous selection and selectivity in recruiting.
 - d) Higher than average wages.
 - e) Employee share ownership plans.
 - f) Extensive information sharing.
 - g) Decentralisation of decision-making and empowerment.
 - h) Work organisation based on self-managing teams.
 - i) High investments in training and skill development.
 - j) Having people do multiple jobs and job rotation.
 - k) Elimination of status symbols.
 - l) A more compressed distribution of salaries across and within levels.
 - m) Promotion from within.
 - n) A long-term perspective.
 - o) Measurement of HR practices and policy implementation.
 - p) A coherent view of employment relation.
2. Yeung and Berman (1997) point out that HR practices can play three major roles.

These are:

- a) Building critical organisational capabilities.
- b) Enhancing employee satisfaction.
- c) Improving customer and shareholder satisfaction.

The studies summarised by Yeung and Berman (1997) help us understand the linkages.

3. Macduffie and Krafcik (1992) studied 70 automotive assembly plants representing 24 companies and 17 countries worldwide. This study indicated that manufacturing facilities with “lean production system” took 22 hours to produce a car with a quality benchmark of 0.5 defects, while those with mass systems took 30 hours and 0.8 defects, for 100 vehicles. The HR strategy of a mass production system was to create a highly specialised and de-skilled workforce to support a large-scale production process, while that of the lean system was to create a skilled, motivated and flexible workforce that could continuously solve problems. The study concluded that the success of the lean production system depended on high commitment of employees, decentralisation of production responsibilities, broad job classification, multi-skilling practices, profit/gain sharing, a reciprocal psychological commitment between firms and employees, employment security and a reduction of status barriers.

4. Ostroff (1995) developed an overall HR Quality Index based on the aggregate ratings of all HR activities of a firm. On the basis of this index, firms were grouped into four categories. The firms that scored higher on the HR Quality Index consistently outperformed those with a lower index on four financial measures: market/book value ratio, market value and sales, and productivity ratio, i.e., sale/employees).
5. Pfeffer (1998) has reviewed considerable evidence on the effectiveness of good HR practices on business performance.
6. Macduffie (1995), cited by Pfeffer (1998) observed from his studies that innovative
HR practices are likely to contribute to improved economic performance only when:
 - a) Employees possess knowledge and skills managers lack.
 - b) Employees are motivated to apply this skill and knowledge through discretionary effort.
 - c) When employees contribute to such an effort.
7. Huselied (1995) used two scales – one to measure employee skills and organisational structure and the second to measure employee motivation. The first scale included a broad range of practices intended to enhance employee knowledge, skills and abilities and provide mechanisms to use for those performing the roles. The second scale measured how well designed the appraisal systems were and how well they were linked to compensation and merit decision in the corporation.
8. Huselied (1995) found that in a sample of 3,452 firms representing all kinds of industries, one standard deviation increase in management practices was associated with increase in sales, market value and profits. A subsequent study by Huselied and Becker (1997) found that a one standard deviation improvement HR system index was associated with an increase in shareholder wealth of \$41,000 per employee.
9. Similar results were found in Germany by Bilmes et al. (1997). This study found link between investing in employees and the stock market performance of the corporation. Companies that placed workers at the core of their strategies produced higher long-term returns than those who did not.
10. Welbourne and Andrews (1996) studied the survival rate of 136 non-financial companies, which initiated public offerings in the US stock market in 1988. The studies were drawn from various industries ranging from food, service retailing to biotechnology and varied in size from less than 110 people (about 50% of them) to 700 or more (about 20% of them). They developed and used a scale to measure the value the firm placed on human resources. This scale had the following five items:

- a) Whether the company's strategy and mission statement cited employees as constituting a competitive advantage.
- b) Whether the company's initial publicity materials mentioned employee training programmes.
- c) Whether the company's official was charged with the responsibility for human resource management.
- d) The degree to which the company used full-time employees rather than temporary or contract workers.
- e) The company's self-rating on office-employee relations.

A second scale measured how the organisation rewarded its people, i.e., whether through stock options, gain sharing, profit sharing, etc. The study indicated that with the other factors, such as the size, nature of industry and profits controlled, the human resource scale and the reward scale were significantly related to the productivity and survival.

11. In a 1989 study by Macduffie (1995) of 70 automobile plants representing 24 companies from 17 different countries, the traditional mass production system with a control-oriented approach to manage people was contrasted with a flexible production system that placed emphasis on people and their participation. In the traditional systems of management practice, the emphasis was on the control-oriented approach to manage people, build inventories to maintain production volumes against uncertainties and inspection and control to ensure quality. In contrast, in the flexible system, the emphasis was on teams, employee involvement and reduction of inventories to highlight production problems that could be remedied. The results revealed that quality and productivity were much higher in the flexible rather than in the mass production system and the two systems differed substantially on how they managed their people in terms of emphasis on training, use of teams, reduction of status differences and the use of contingent performance-related compensation.
12. Arthur (1994) studied the impact of two different management approaches on the productivity of steel mills. His study of the 30 of the 44 existing steel mills in the US at that time differentiated the control approach to human resource management (HRM) from that of the commitment approach. In the control approach, the goal of HRM is to reduce costs or improve efficiency by enforcing employee compliance with specified rules and procedures and basing employee rewards on some measurable output criteria. In the commitment approach, the HR systems are intended to shape desired employee behaviour by forging psychological links between organisational goals. The focus is on developing committed employees. After statistically controlling for age, size, union status and business strategy of the mills, the results showed that using a commitment strategy was significantly related to improve performance in term of labour hours and scrap rate. Mini-mills using the commitment approach

required 34% fewer labour hours to produce a ton of steel and showed a 63% better scrap rate.

“A number of studies spanning different organisations operating in various services industries provide evidence for a positive relationship between employee attitudes, customers service satisfaction and profits.” (Pfeffer.1998)

13. Schneider and Bowen (1985) reported in a study of bank branches that when the branches had sufficient numbers and quality of people to perform its tasks (called the service imperative) customers reported receiving higher levels of service. In another study, Schneider (1991) found that customer perceptions and attitudes were affected by what employees experienced. Organisational practices that are both service related and human resources related seem to provide cues to customers to evaluate the bank's service.
14. A study by Johnson, Ryan and Schmit (1994) at the Ford Motor Credit revealed attitudes concerning workload, teamwork, training and development, satisfaction. Schmit and Allscheid (1995) found that customers' satisfaction and perceptions of service quality were significantly related to measures of employee attitudes about the fairness of pay, whether management was concerned about employee welfare and treated people fairly, and whether supervisors encouraged an open and participative work environment. Employee attitudes are in turn related to profits. For example, in a study of an Eye Care Company a significant relationship was found between employee attitudes and profit (Moeller and Schneider, 1986)
15. Pfeffer, after examining evidence from a large number of studies linking strategy with
HR strategy, concludes, “I have come to believe that the ‘strategic fit’ argument is sometimes mustered by managers and organisations that don't want to acknowledge that the way they manage their people is less than optimal and that they should change. They find it easier to say, ‘Even though we aren't doing what some firms have found to be effective, that's all right because we are pursuing a different strategy.’ This rationalisation should be challenged by asking a simple question: Wouldn't our existing strategy, whatever it is, be better implemented if our people were more involved, committed, and better skilled?” (Pfeffer 1998)
16. Delery and Doty (1996) in a study of nearly 200 banks found that differences in HR practices accounted for large differences in financial performance. Huselid concluded that “prior empirical work has consistently found that use of effective human resource management practices enhances firm performance”. (Huselid 1995).
17. Pfeffer (1998) presents the following rationale to explain the above mentioned relationship:

- a) Performance increases because people work harder.
- b) People put in effort and show greater commitment if they have greater control over their environment and if they see their efforts as related to compensation and pressure activated from self-managed teams.
- c) Training, job rotation and such other practices help people to work smarter. High commitment to work also saves direct and indirect costs of labour.
- d) Trained, multi-skilled, self-managed and motivated employees save on a variety of administrative costs including the cost of management, thus reflecting in profits.

In spite of all this research evidences, as Pfeffer (1998) observes, even in countries like the US and the UK, the spread of the practices is not as rapid as one might expect. Research by Ichniowski (1992) has indicated that only 16% of the US businesses have at least one innovative practice in each of the four major HRM policy areas: flexible job design, worker training, pay-for-performance compensation and employment security.

Pfeffer (1998) has identified the following seven practices of successful organisations on the basis of his review of various research studies, related literature, and his personnel observations and experience. These seven dimensions seem to characterise most if not all of the system – producing profits through people. These dimensions are:

- Employment security.
- Selective hiring of new personnel.
- Self-managed teams and decentralisation of decision-making as the basic principles of organisational design.
- Comparatively high compensation contingent on organisational performance. Extensive training.
- Reduced status distinctions and barriers including dress, language, office arrangements and wage difference across levels.
- Extensive sharing of financial and performance information throughout the organisation.



Check your Progress 2

Fill in the blanks.

1. _____ found that customer perceptions and attitudes were affected by what employees experienced.
2. Recent researches worldwide have shown that good _____ and policies can go a long way in influencing business growth and development.
3. _____, job rotation and such other practices help people to work smarter.
4. Huselied concluded that “prior empirical work has consistently found that use of effective human resource management practices enhances firm _____”.
5. In the flexible management practices system, the emphasis was on teams, employee involvement and reduction of inventories to highlight _____ problems that could be remedied.

12.4 IMPACT OF GOOD HR PRACTICES IN INDIA

In this section, we will see how the HR department came to be established in India, what the present status is and how good HR practices have contributed to its importance across the nation.

12.4.1 HRD in India

The first HRD department in the Indian corporate sector was started in 1975 in Larsen & Toubro (L&T), after recommendations by two consultants, Udai Pareek and T.V. Rao, from the Indian Institute of Management, Ahmedabad (Pareek and Rao, 1975). In the next year, State Bank of India and its associate banks, influenced by the conceptual underpinnings of HRD decided to establish HRD departments. State Bank of India was one of earliest organisations in India to try sensitivity training-based interventions in the 60s. Two years later, Bharat Earth Movers Limited, Bangalore, one of the large public sector companies in India, established its HRD department. All these companies followed the basis provided by Pareek and Rao.

Pareek and Rao’s model for L&T was also disseminated to other organisations. The model envisaged the HRD function as consisting of six subsystems: (i) Development- oriented performance appraisals, (ii) Potential appraisal, (iii) Training, (iv) Feedback and counseling, (v) Career planning and development, and (vi) Organisation development. These subsystems are linked to one another and are conceived as a part of the human resource system (Pareek and Rao, 1975).

Up to the late 70s, there were hardly a dozen organisations with HRD departments, by the 80s many had started establishing them. One of the early Organisational Development (OD) works was done by the HRD departments of the associate banks of State Bank of India using the survey feedback methodology. The importance of HRD had grown so much by the mid-80s that almost every second organisation in India had established an HRD department. By the 90s, almost every organisation had an HRD department with the function being fully institutionalised. A new professional body, called the National HRD Network, was established in 1985 and is comparable to the OD Network in the US. This body has even established a national-level research institution called the Academy of HRD.

Thus, the HRD movement in India has its own unique history. Today, OD is very much institutionalised in India through the HRD departments.

12.4.2 The Indian Experience

A lot of evidence linking organisational effectiveness with good HR practices comes from case studies of HR practices and organisational performance. The National HRD Network and the Confederation of Indian Industry (CII) have been giving HRD awards for organisations that have had outstanding HRD practices or at least distinguished themselves in this regard. To confirm the linkages between organisational performance and HR practices, a search can be undertaken into these organisations in terms of how well they have done financially as also on other parameters (financial, market share, growth, customer satisfaction, etc.) with another control group. Such comparisons can be extended to the HR practices. Unfortunately, no such study is available as yet. However, with the available data it is possible to come to some conclusions. If, for example, the organisations have done well in spite of many odds including the turbulent environment in India prevailing in the last few years, one can say with some degree of confidence that HRD practices did matter. An analysis of the HRD award-winning organisations does indicate that excellent performance in the Indian corporate sector do seem to have excellent HR practices.

In order to draw attention to some of the emerging areas and issues relating to the effectiveness of HRM, an analysis was undertaken of the HRD award-winning companies and individuals in the last six to seven years to see whether their HR strategies continued to be effective (Rao 1996). See below for HRD award-winning companies.

HRD Award-winning companies of the National HRD Network in the Last Few Years

Current status of HRD award-winning companies

About 90% of these companies have continued to grow and expand in spite of having to face a turbulent environment in the recent past. They have shown that they have the wherewithal to withstand all kinds of turbulence including the onslaught of globalisation after having been in a protected environment

for several years. They seem to be doing as well as *In Search of Excellence* companies of Peters and Waterman fame in the US. Most of them exhibit the following characteristics:

1. **Capability to cope well with leadership changes:** In at least 50% of these companies, there have been leadership changes in the last few years but the companies continue to progress. This evidence leads us to hypothesis that a company having good HR practices is likely to build a large amount of internal talent and competencies and have a sustaining capability. Good examples of these are SAIL, Indian Oil, L&T, Tata Steel, Petrofils and ITC (though only recently).
2. **Coping well with changes due to liberalisation and exploiting the opportunities to their advantage:** Almost all the companies have grown from their previous stage and expanded and/or improved their profits as well as asset base.
3. **Attempt to meet the challenges to liberalisation by becoming customer-oriented and quality conscious:** A number of companies have developed mission statements and declared their vision for the future. An HRD orientation seems to have helped them to articulate these and their core values. Most of them have gone in for ISO certification and TQM. Some of them have restructured themselves. A few of them have reduced their layers and also revised their salary structures.
4. **Demonstrate that they are changing and learning organisations:** The organisations have been reviewing their salary structure, performance appraisal practices, personnel policies, and so on from time to time. They have been getting their organisational culture and employee satisfaction surveyed periodically and using the data to bring about improvements. A few of them also have begun the benchmarking of their systems and select management practices.
5. **Effective use of their personnel or HRD departments to initiate and manage changes:** Some of the organisations gave their HR managers charges of strategic planning, quality programmes, customer-orientation programmes, restructuring exercises, etc. In some of these organisations, HR managers have even been given line responsibilities or help to head separate outfits. Eicher, SAIL, L&T, Modi Xerox and Sundram Fasteners are some illustrations of this.
6. **Invest heavily in training and establish new training centres:** Their budget for employee training seems to have gone up considerably. They have continued to sponsor their executives to external programmes to keep them abreast with new technologies and practices. They have become quite liberal in terms of sending their employees for training abroad to keep them in touch with global changes.
7. **Integration of the personnel and the HRD functions:** Quite a few of these organisations have personnel departments rather than HRD

departments. The chiefs of these departments however, act and behave as business managers. They have used the HRD systems to their advantage and constantly integrated personnel and HRD functions.

Although the above generalisations are based on impressionistic data, a scientific study may not reveal too different a picture. The only scientific study in this direction has been made by Enthenkuzhy Abraham (1989), who surveyed the HRD practices of 68 Indian organisations. He measured various elements of the HRD profile of these organisations including performance management practices, training, career planning, promotions, rewards, etc. and the HRD climate (openness, collaboration, trust, authenticity, proaction, autonomy, confrontation). Abraham also constructed an index of growth of the company profitability as a measure of organisational performance. He was able to use this index only in 14 out of the 68 companies. He found that while the HRD climate did exist, the perception of the HRD climate of the company was more important than the HRD practice itself. This study also indicates that HRD culture is a powerful intervening variable in translating HRD practices into profit. The HRD manager matters a lot in this regard along with line managers and top management. Some indirect evidence to this effect is also provided by the famous management author P. Khandwalla. After a review of several case studies and experiences in India, he concluded that Western and Third World studies of organisational excellence indicate five major keys to organisational excellence: mission, vision of excellence and core values; style of management; goals, policies and choices of domain; management systems and structure and organisational renewal processes.

This evidence is sufficient to indicate that good HR practices do matter. However, the relationship between good HR practices and organisational effectiveness is not so simple. It is not that all one has to do is to have good HR practices and everything else will automatically follow; though good HR practices can ensure a number of things. They can lend competitive advantage to a corporation if other things are equal. There are other intervening variables. For example, one cannot make good HR practices work wonders if the organisation is not located in a strategic place, or it started with or already invested in bad technology, or it is in low margin relating to business, or if the country's economic policies at its location get changed to its detriment, etc. Even within HR there are a number of variables to be understood and differentiated. Abraham's study provides some insights into this and shows it is a good HRD climate rather than HRD practices by themselves that are responsible for organisational performance. This is not to deny the importance of good HR practices. One can create an appropriate HRD climate only through good practices and processes.

Notes



Check your Progress 3

State True or False.

1. The relationship between good HR practices and organisational effectiveness is very simple.
2. One can create an appropriate HRD climate only through good practices and processes.
3. Good HR practices can lend competitive disadvantage to a corporation if other things are equal.
4. HRD culture is a powerful intervening variable in translating HRD practices into loss.



Activity 2

Explicate on two points you have observed in India about the relationship between HR practices and organisational productivity.

12.5 HRD AND ORGANISATIONAL EFFECTIVENESS

From the above review of studies, it may be concluded that good HRD practices do make a difference on many counts. They enhance internal capabilities of an organisation to deal with current or future challenges to be faced by an organisation. Good HR practices also energise people. The commitment and motivation built through good HR practices can lead to hard work and can have a multiplier effect on the conversion of human capital to organisational capital. The culture so built can help to create a sustainable and lasting capability of the organisation to manage itself and not only cope with the external turbulence but even encash on the opportunities offered by the changing environment. However, such a linkage cannot be taken as automatic and direct and there are many intervening forces affecting it.

A model was presented to explain the linkages between HRD instruments (put in operation they become practices), processes, outcomes and organisational effectiveness. In this model, schematically presented, the HRD instruments include various tools of HRD (Rao, 1990).

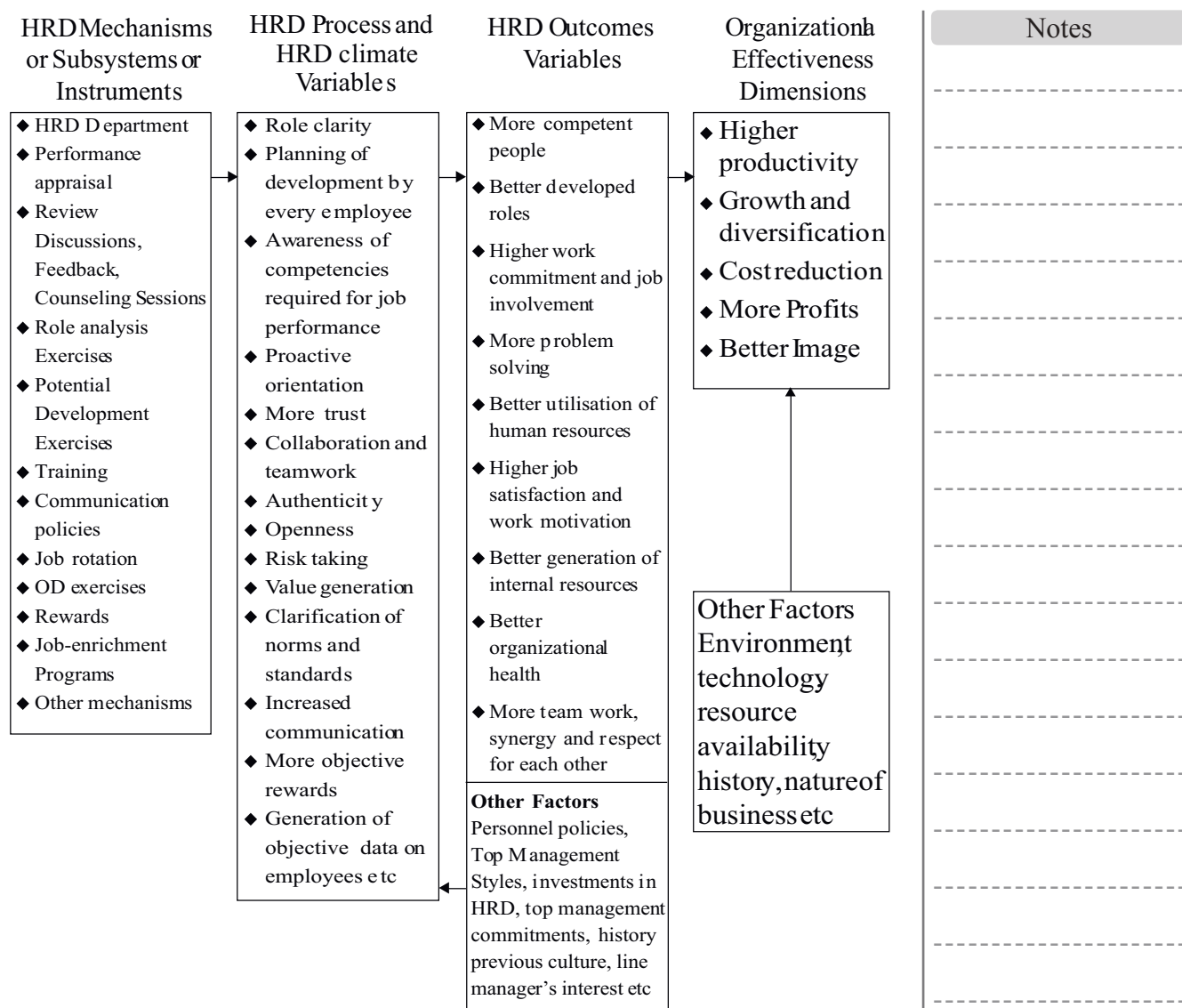


Fig 12.2

A Schematic Presentation of Linkages between HRD Instruments, Processes, Outcome and Organisational Effectiveness

These tools include the various subsystems, such as the performance appraisal system, feedback and counseling sessions, potential development exercises like assessment centres, training, job rotation policies, etc. A feature of this model is that the HRD department is also included as an instrument of HRD, implying that while the organisation always have the choice of establishing HRD departments, they could carry on HRD activities even without an HRD department.

The HRD tools if effectively used can create a conducive HRD culture and HRD learning processes. HRD processes are intermediate, variable and affect the HRD outcome. They are less easily observable and are softer dimensions that indicate the effectiveness of HRD tools. HRD process variables include role clarity on a continuous basis, work planning, awareness of competencies

and a more directed effort to build them, better communication and the practice of HRD values like openness, collaboration, trust, action, authenticity, autonomy, confrontation, etc. Such HRD culture and processes can result in more observable and quantifiable outcomes.

The HRD outcome may include a higher level of competencies of the employees (technological, managerial, human relations and conceptual), better utilisation of human resources through better developed roles, higher work commitment, work motivation, greater teamwork and synergy, etc. The HRD outcome can influence the organisation's business goals, which may be in terms of higher productivity, cost reduction, more profits, better image and more satisfied customers and stakeholders.

Thus, the essential components implied in this model are:

- Aligning HRD with business by linking HRD strategies with corporate strategies.
- Instituting appropriate HRD structures to translate these strategies into action.
- Hiring competent HR staff and developing HR competencies among other employees.
- Having appropriate HRD tools or instruments (systems and practices).
- Generating the right HRD climate and processes through HRD tools and styles.
- Enhancing the satisfaction and motivational levels of employees through the above.
- Having more satisfied customers and getting better business results.

The model gives scope for the factors and their influence on the linkage between HRD variables and organisational effectiveness. For example, it is understood that HRD cannot by itself contribute to profits. Strategies, technology, finances, markets, etc. also need to be in place. HRD alone cannot make all these variables happen. However, good HR practices may build the competencies and commitment of employees to such an extent that they make sure that the other variables are taken care of to a great extent. Thus, it is people who can provide competitive advantage to corporations. And it is the main task of the HRD function and HRD agents (HR managers or facilitators or HRD role holders) to enable employees to deliver competitive advantage.

Some questions that every corporation needs to address are as follows:

- How well are HR practices (systems, processes and activities) linked to business goals? Do they flow from strategies or are they aligned with the strategies? Do corporations have appropriate HRD structures to translate HRD strategies into actionable goals with short and long-term perspectives?
- Are the HRD structures manned by competent individuals who know their job and are well prepared to do it effectively? What are the

HRD competency levels of all other stakeholders (line managers, top management, union leaders, workers, etc.)? Are they at an adequate level for effective HRD?

- Are good HR practices and HRD systems and processes being designed? Are these systems internally sound, consistent and relevant? How well are they being implemented?
- Is there a good HRD climate being developed as a result of the HRD practices or otherwise? Is the leadership behaviour of managers and the supervisory class tuned to create or promote learning and empowering culture?
- Are the HRD systems and processes being orchestrated to lead to organisational performance? Are good practices leading to employee and customer satisfaction, and translating the same into organisational performance parameters?
- Is the HRD function appropriately placed and being managed to ensure its positive effect on organisational performance?

These questions need to be answered not once but on a continuous basis. Hence, the need for HRD audits. HRD audit is the methodology of evaluating various elements of HRD and providing a balance sheet of the strengths and weaknesses of the HRD practices for a given organisation.



Check your Progress 4

Multiple Choice Single Response.

1. Good HRD practices do make a difference on the following count:
 - i. They impair internal capabilities of an organisation to deal with current or future challenges.
 - ii. Good HR practices de-energizes people.
 - iii. The culture does not can help to create a sustainable and lasting capability of the organisation.
 - iv. The commitment and motivation built can lead to hard work and have a multiplier effect on the conversion of human capital to organisational capital.

12.6 APPROACHES TO EVALUATE HR FUNCTIONS

It is now clear that there is a need to evaluate and align or realign HRD for organisational effectiveness on a continuous basis. Without such realignment, the HR function loses its credibility and place in the organisation. Such an alignment should be multidimensional. It should start with business linkages, look at the systems requirements, examine the competencies of the HR people and the appropriateness of the HR structures. Finally, it should examine the

quality of culture created by HR practices as well as by the styles and behaviour of seniors. Thus, alignment has to be examined in terms of strategy, systems, structure, competencies, styles and culture.

There are few approaches, which are of recent origin and available in management literature, which come close to the above approach. Some of these, for example, the balanced scorecard approach, has a focus on business goals than on human resources. These have been included in the unit for illustrative purposes and to signal that the measurement of the effectiveness of the HR function has to be done in the business context like for all other tools.

12.6.1. The Balanced Scorecard Approach

Kaplan and Norton (1992–1993) — the co-authors of *The Balanced Scorecard* — popularised the balanced scorecard approach. It assumes that for a business to succeed in the long run, the expectations of three stakeholders — employees, customers and shareholders — must be satisfied (see below). The model also assumes that all the three stakeholders are interrelated: attitudes and behaviour influence customers satisfaction and retention, which in turn influences shareholder satisfaction and investments. Furthermore, shareholder satisfaction affects employee satisfaction through bonuses, stock options and further investments on employees. If even one of the components breaks down, the chain does not work, leading to drop in performance. The HR function has a significant role to play in ensuring that all stakeholders remain satisfied.

Example of the Balanced Scorecard Applications in Some Companies

Company	Shareholders	Customers	Employees
Sears	Compelling place to invest	Compelling place to shop	Compelling place to work
Eastman Kodak	Shareholder satisfaction	Customer satisfaction	Employee satisfaction
AT&T	Economic value addition	Customer value addition	People value addition
American Express	Shareholder outcome	Customer outcome	Employee outcome

The balanced scorecard approach of Kaplan and Norton (1992), later published in their book entitled *The Balanced Scorecard*, attempts to measure organisational performance from four distinct perspectives: (i) financial, (ii) customers, (iii) internal business process, and (iv) innovation and learning.

The financial measures of performance indicate whether a company's strategy, implementation and execution contribute to improvements in the bottom line. Financial measures relate to profitability and can include operating income, return on capital employed, etc. Sales growth and generation of cash flow are the other alternate measures of focus on the internal processes that have the greatest impact on customer satisfaction and achieve an organisation's financial objectives. Measures of quality, response time, cost and cycle time and new product introductions are some examples. On the customer perspective,

the measures include customer satisfaction, customer retention, new customer acquisition, customer profitability, and market and accounted share in targeted segments. The third perspective refers to internal business processes. Metrics based on this perspective allow the managers to know how well their business is running, and whether its products and services conform to customer requirements (the mission). The fourth perspective of learning and growth focuses on the infrastructure the organisation should build to create long-term growth and improvement – people, systems and organisational procedures. Employee-based measures include employee satisfaction, retention, training and skills. Information system capabilities are measured by the real-time availability of accurate and critical customer and internal process information to employees who are on the frontline making decisions and taking action. Organisational procedures examine alignment of employee incentives with overall organisational success factors and measured rates of improvement in critical customer-based processes.

The name, the balanced scorecard, reflects the balance provided between short and long-term objectives, between financial and non-financial measures, between lagging and leading indicators and between internal and external perspectives.

Kaplan and Norton (1996) report that innovative companies use the balanced scorecard as a strategic management system. It is also used as a management tool. It is used to clarify and translate vision and strategy, communicate and link strategic objectives and measures, plan, target and align strategic initiatives, and enhance strategic feedback and learning curves.

12.6.2 Strategic HR Framework

The strategic HR framework (Ulrich and Lake, 1990) aims to leverage and/or align HR practices to build critical organisational capabilities that enable an organisation to achieve its goals. While the balanced scorecard approach defines on what a business should focus on, the strategic HR framework offers specific tools and paths to identify how a firm can leverage its HR practices. The sample questions asked for each of the three components in aligning business strategy with HR practices are given below:

- a) **Business strategy:** What is the business strategy of our company? How do we win the market with regard to customers' buying criteria, competition, government regulations, supplier's situation, etc.?
- b) **Organisational capabilities:** In order to implement the business strategy, what are the critical organisational capabilities we need to develop? These can include speed, a competitive mindset, innovation and quality.
- c) **Human resource practices:** How should HR practices be designed and delivered to build these organisational capabilities? How do we motivate and build our leadership capabilities and empower people to contribute towards the development of organisational capabilities?

12.6.3 Integrative Framework

The integrative framework has been offered by Arthur K. *Yeung* and Bob *Berman* (1997) and builds on earlier approaches. This framework identifies three paths through which HR practices can contribute to business performance.

- a) By building organisational capabilities.
- b) By improving employee satisfaction.
- c) By shaping customer and shareholder satisfaction.

This is called the first linkage chain. In the second linkage chain, organisational capabilities become key drivers, which implement business strategy, impact satisfaction and eventually contribute to shareholder satisfaction.

Dynamic changes in HR measure are urgently required to refocus the priorities and resources of the HR function. Instead of being HR driven (what makes sense to HR professionals), the next generation of HR measures need to be business-driven (how HR can impact business success). Instead of being activity-oriented (what and how much to do), new HR measures should be impact-oriented (how much can we improve business results). Instead of looking backward (what has happened), innovative HR measures should be forward looking, allowing the managers to assess and diagnose the processes and people capabilities that can predict the future success of corporations (Kaplan and Norton, 1992). Finally, instead of focusing on individual HR practices (the performance of staffing practice, training and development practices, etc.) future HR measures should focus on the entire HR system taking into account the synergy existing among all HR practices. (Yeung and Berman, 1997).

The integrative framework proposes three sets of measures:

- i) Internal operational measures dealing with how well HR practices are designed and delivered.

Some examples of these are efficiency, quality and speed of delivering HR practices and managing the HR function as a whole. These measures include process measures, such as cycle time, quality and cost of HR practices and result measures, such as offer/accept ratios, different levels of training evaluation and business impact. Some other examples of internal operational measures are the ratio of HR professionals to employee population and results of client satisfaction surveys. These measures are, however, inadequate to assess the performance of new HR roles and activities.

- ii) Internal strategic measures dealing with how effectively HR practices build desired organisational capabilities and how effectively they increase employee satisfaction. **Two examples are given below.**

Eastman Kodak has identified three critical organisational capabilities:

- Leadership effectiveness (measured by 360-degree assessment)
- Workforce competencies (measured by percentage of employees with documented development plans; number of hours devoted to development;

- action; reaction; such as planned action learning; on the job behavior; and business results)
- Performance-based culture (through surveys and by performance tracking)
Similarly, Motorola developed an index, Individual Dignity Entitlement, based on six questions:
 - Do you have a substantive, meaningful job that contributes to the success of Motorola?
 - Do you have on-the-job behaviors and the knowledge base to be successful?
 - Has training been identified and made available to continuously upgrade your skills?
 - Do you have a career plan and is it exciting, achievable and being acted on?
 - Have you received candid, positive or negative feedback within the last 30 days, which has helped in improving your performance or achieving your career plan?
 - Is adequate sensitivity shown by the company towards your personal circumstances, gender and culture?

By tracking these six questions, Motorola ensures that its HR practices add value through a more committed and content workforce.

- iii) External strategic measures dealing with how well HR practices increase customer and shareholder satisfaction.

The measures include enhancement programmes for customer satisfaction, executive education programmes to provide customer satisfaction, incentive, compensation plans, and so on.

12.6.4 The Human Capital Appraisal Approach

Friedman et al. (1998), on the basis of their consulting work at Arthur Anderson, have outlined an approach to assess the human capital in any corporation. They describe, specifically, how managers can evaluate the current human resources programmes. The authors describe a five-stage framework to measure, manage and leverage the corporation's investment in people.

The approach is based on the belief that there are five stages in the management of human capital. Further, there are five areas of human capital management. These five stages and five areas constitute five x five matrices, and assessment of how well the human capital is managed can be made by asking a number of questions that fall into the five areas.

The five stages are as follows:

- a) **Clarification stage:** The firm identifies and confirms the overall business direction. An appraisal of this stage focuses on the business goals of the company, its culture and values, its management philosophy and its impact on human capital.

- b) **Assessment stage:** The firm calculates the cost of investment on the human capital and the value placed by employees on this investment.
- c) **Design stage:** The firm creates programmes that can yield better returns on human capital.
- d) **Implementation stage:** The firm puts the proposed changes into practice.
- e) **Monitoring stage:** The firm checks the new system against strategy.

The five areas of human capital are:

- i) Recruitment, retention and retirement
- ii) Rewards and performance management
- iii) Career development, succession planning and training
- iv) Organisational structure
- v) Human capital enablers

As mentioned above, for each stage, a number of assessment questions are generated in relation to each human capital area. In the clarification stage, for example, managers examine their human capital programmes to ensure that they fit the organisation's overall culture and strategy. It is possible that the company may have a change plan but still expects the HRD director to continue with his/her hold on HR policies, such as compensation and reward, even if they clash. Similarly, the HR director may initiate a change that may clash with the company strategy. Thus, a good fit requires clarification and good communication of business strategies and human resources elements. On recruitment, for example, clarification is sought on issues, such as current system of recruitment, its adequacy or inadequacy, opening expected in the next five years, strategies of finding new talent. Similarly, performance management and rewards, career development, succession planning and training, organisational structure and HR need to be clarified in relation to future strategies and plans.

12.6.5 HRD Scorecard: A Proposed Model

An HRD Scorecard measures the HRD maturity level of an organisation. The HRD maturity level depends on the following four factors:

- a) HRD systems maturity
- b) HRD competencies of the employees including the HR department
- c) HRD culture
- d) Business linkages of HRD

The proposed model for the HRD Scorecard draws heavily from the conceptualisation of HRD stated earlier (Pareek and Rao, 1992), and also takes into consideration the research understanding gained in the last few years.

The model is based on the following assumptions:

- i) Competent and motivated employees are needed to provide quality products and services at competitive rates and in ways that enhance customer satisfaction.

- ii) Competencies and commitment can be developed through appropriate HRD mechanisms. In an HRD-mature organisation, there will be well-developed HRD systems and the maturity of an HRD system can be measured through competencies of the HRD audit (HRD Systems Maturity Score (SMS)).
- iii) HRD competencies of the HRD department and the line managers play a significant role in implementing the systems and processes in ways that can ensure employee satisfaction, competence building and customer satisfaction linkages. The competencies of the HRD staff and other employees can be measured in terms of an index (HRD Competence Score (CS)).
- iv) The HRD culture, values and processes created by the HRD tools and the HRD staff and their styles, also play a crucial role in building sustainable competencies in the organisation. These need to be measured and monitored. It is possible in some corporations, for example, small corporations, to have less of HR systems and yet have a high level of HR competencies and HR culture. Traditional family-owned organisations, in the years when there were no systems approaches, used to have a good degree of HRD culture, which has resulted in effective functioning and business. The HRD culture can be measured and valued. (HRD Culture and Values Score (CVS)).
- v) Business linkages of HRD are a very crucial component of HRD effectiveness. HRD systems, competencies and culture must be aligned with the business goals of the corporation. The alignment can be ensured through the direct linkages with customer satisfaction and employee motivation indices (Business Linkages Score (BLS)).

These four indices mentioned above are the four pillars of HRD effectiveness. All the four dimensions are assessed using a ten-point rating system.

The ten-point rating scale is represented as follows:

A*	Highest score and highest maturity level
A	Very high maturity level
B*	High maturity level
B	Moderately high maturity level
C*	Moderate maturity level
C	Moderately low maturity level
D*	Low maturity level
D	Very low maturity level
F	Not at all present
U	Ungraded

The scorecard may read as follows:

Illustrative Scorecard				
Name of the Organisation: XYZ				
HRD Systems Maturity grade	HRD Competence grade	HRD Culture grade	Business Linkage grade	Overall HRD Maturity rating
A*	A*	B*	C*	A* A* B* C*

The assigning of HRD scores can be done on the basis of an HRD audit. The process of arriving at the HRD Scorecard, after a detailed description of HRD audit, is more than just assessing HRD maturity and assigning scores.



Check your Progress 5

Multiple Choice Multiple Response.

1. The HRD maturity level depends on the following factors:
 - i. HRD systems maturity
 - ii. HRD competencies of the employees including the HR department
 - iii. HRD culture
 - iv. Business linkages of organisation
2. The Balanced Scorecard Approach attempts to measure organisational performance from the following perspectives:
 - i. Financial
 - ii. Customers
 - iii. External
 - iv. Innovation and learning



Activity 4

Prepare an HRD Score Card for your organisation.



Summary

- Good HR practices have a tremendous influence on business outcome. There is ample research and experimental data to suggest this.
- Human resource development (HRD) has been defined as essentially consisting of three Cs: Competencies, Commitment and Culture. All three are needed to make an organisation function well. Without competencies many tasks of the organisation may not be completed cost-effectively or

with optimal efficiency. Without commitment, they may not be done at all or are done at such a slow pace that they lose relevance. Without an appropriate culture, organisations will find it difficult to live. It provides the oxygen needed for them to survive. Its utility comes to the fore especially when organisations are in trouble.

- HRD and HR practices should be linked to business goals and corporate strategy.
- HRD cannot be a series of ad hoc decisions and practices. It has to be based on a set of predictable practices and measures.
- The component systems of HRD are career system, work-planning system, development system, self-renewal system and culture system (Pareek and Rao's Framework).
- HRD has a critical role to play in the achievement of organisational goals and help the organisation to achieve and maintain excellence.
- HRD has the role of getting the right kind of people, creating a culture that nurtures and retains talent, providing avenues for competence development at all levels, ensuring utilisation of talent, and aiding in renewal of various productive human processes. Therefore, HRD needs to be appropriately structured and competently handled.
- Uday Pareek and T.V. Rao, at the time of setting up the first HRD department in India in 1975, identified certain principles to design the HR system.
- The Rao and Pareek model consists of certain linkages between HRD instruments, processes, outcomes and organisational effectiveness.
- There is a need to evaluate and align or realign HRD for organisational effectiveness on a continuous basis. Without such realignment, the HR function loses its credibility and place in the organisation.
- Kaplan and Norton popularised the balanced scorecard approach. It assumes that for a business to succeed in the long run, the expectations of three stakeholders – employees, customers and shareholders – must be satisfied.
- While the balanced scorecard approach defines on what a business should focus on, the strategic HR framework offers specific tools and paths to identify how a firm can leverage its HR practices.
- The integrative framework identifies three paths through which HR practices can contribute to business performance: by building organisational capabilities, by improving employee satisfaction, by shaping customer and shareholder satisfaction.
- An HRD Scorecard (Proposed Model) approach intends to measure the HRD maturity level of an organisation. This is based on four indices, viz., HRD competencies of the employees, HRD systems maturity, HRD culture and HRD influence on business goals or business linkages of HRD.

- HRD audit is a methodology to arrive at the HRD Scorecard. HRD audit and the resulting HRD Scorecard provide the necessary information required to realign HRD and build competitive advantage in terms of people and processes.



Keywords

- **Human resource development:** The method of developing the potentialities of the employees so that they get maximum satisfaction out of their work and give their best efforts to the organisation.
- **Organisational effectiveness:** The best quality of the services and products provided by the organisation so as to achieve maximum productivity and satisfaction in terms of organisational, social and individual goals.



Self-Assessment Questions

1. What are the elements of good HRD?
2. What are the approaches to evaluate the HR functions and its impacts?
3. Explain the measures proposed by the integrative framework of Yeung and Berman.
4. What are the component systems of HRD?
5. Discuss the impact of good HR practices on organisations with special reference to India.
7. How do good HR practices and policies influence business growth and development?
8. What efforts should be undertaken to improve organisational effectiveness?

Answers to Check your Progress

Check your Progress 1

Match the following.

- i. – b
- ii. – c
- iii. – a

Check your Progress 2

Fill in the blanks.

1. Schneider found that customer perceptions and attitudes were affected by what employees experienced.

2. Recent researches worldwide have shown that good HR practices and policies can go a long way in influencing business growth and development.
3. Training, job rotation and such other practices help people to work smarter.
4. Huselied concluded that “prior empirical work has consistently found that use of effective human resource management practices enhances firm performance”.
5. In the flexible management practices system, the emphasis was on teams, employee involvement and reduction of inventories to highlight production problems that could be remedied.

Notes

Check your Progress 3

State True or False.

1. False
2. True
3. False
4. False

Check your Progress 4

Multiple Choice Single Response.

1. Good HRD practices do make a difference on the following count:
 - iv. The commitment and motivation built can lead to hard work and have a multiplier effect on the conversion of human capital to organisational capital.

Check your Progress 5

Multiple Choice Multiple Response.

1. The HRD maturity level depends on the following factors:
 - i. HRD systems maturity
 - ii. HRD competencies of the employees including the HR department
 - iii. HRD culture
2. The Balanced Scorecard Approach attempts to measure organisational performance from the following perspectives:
 - i. Financial
 - ii. Customers
 - iv. Innovation and learning

**Suggested Reading**

1. Mark A. Huselid, Brian E. Becker, Richard W. Beatty. *The Workforce Scorecard: Managing Human Capital To Execute Strategy*
2. Price, Allan. *Human Resource Management*.

Structure:



- 13.1 Introduction
- 13.2 Employees for Lease
- 13.3 Moon Lighting by Employees
 - 13.3.1 Blue Moon Lighting
 - 13.3.2 Quarter Moon Lighting
 - 13.3.3 Half Moon Lighting
 - 13.3.4 Three-Quarter Moon Lighting
 - 13.3.5 Full Moon Lighting
 - 13.3.6 Effect of Moon Lighting on HRM
- 13.4 Flexi Time and Flexi Work
 - 13.4.1 Flexi Time
 - 13.4.2 Flexi Work
- 13.5 Training and Development
- 13.6 Management Participation in Employees' Organisations
- 13.7 Consumer Participation in Collective Bargaining
- 13.8 Collaborative Management-Multi Dimensional Approaches
 - 13.8.1 Workers' Participation
 - 13.8.2 Customers' Participation
 - 13.8.3 Government's Participation
 - 13.8.4 Stockholders' Participation
 - 13.8.5 Employee's Proxy
- 13.9 Human Resource Accounting
 - 13.9.1 Objections to the Treatment of People as Assets
 - 13.9.2 Need for Human Resource Accounting
 - 13.9.3 Current Practice
 - 13.9.4 Consequences
 - 13.9.5 Aims and Objectives of HRA
 - 13.9.6 Methods of Valuation of Human Resources
 - 13.9.7 Valuation Models
 - 13.9.8 Benefits of HRA

13.9.9 Human Resource Accounting in India

13.10 Organizational Politics

13.10.1 Meaning and Definition

13.10.2 Causes of Organizational Politics

13.10.3 Techniques of Organizational Politics

13.10.4 Effects of Organisation Politics

13.11 Exit Policy and Practice

13.11.1 Meaning

13.11.2 Extent of Surplus

13.11.3 Consequence of Surplus Manpower

13.11.4 Types of Downsizing

13.11.5 The Challenges of Employees' Exit

13.11.6 Manage Employee Exit

13.11.7 National Renewal Fund

13.12 Future of Human Resource Management

Summary

Keywords

Self-Assessment Questions

Answers to Check your Progress

Suggested Reading



Objectives

After going through this unit, you will be able to:

- Analyse recent techniques in human resource management
- Identify the innovative trends in human resource management in an organization
- Explain the use of innovative practices in the organization

13.1 INTRODUCTION

The field of human resource management is developing very fast and every department of human activity is realizing its importance in the smooth functioning of the organization.

Innovative techniques are developed to improve the culture at the workplace so that the employees are motivated to give in their best to the organization as also to attain job satisfaction. There is tough competition everywhere and to survive with grace, we will have to accept the changes in this modern world and adopt the latest human resource practices. Those who refuse to change will be left behind and will have to accept defeat. Hence, it is imperative to implement the latest human resources practices in the organization.

The latest techniques in the field of human resource development are employees for lease, moon lighting by employees, dual career groups, flexi time and flexi work, training and development, management participation in employees' organization, consumer participation in collective bargaining, collaborative management, employees' proxy, human resources accounting, organizational politics, exit policy and practice etc.

13.2 EMPLOYEES FOR LEASE

Presently, organizations employ specialists as well as generalists for their various operations/ activities. In addition to these specialists, the organizations depend upon consultancy agencies or individual consultants for their expertise to tap and utilize their expert knowledge. Even so, there is a possibility that the present generalists and specialists will become brain obsolete after continuous work in the same organization and their level of operation will also be limited.

The consultancy agencies offer expert advice and the execution of the advice is left to the employees of the organization. The employees, with their limited knowledge and/or lack of executing abilities, may fail to convert the know-how into a project. Hence, the consulting agencies, which cannot provide the human resources for implementing the project, will also become obsolete.

Under such circumstances, new types of organizations have emerged, which are called as employee-leasing organizations. These organizations

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provide expert advice and consultancy and further they supply human resources for executing their projects.

These organizations employ different kinds of candidates and lease them to various organizations. These leasing organizations will be principal employers and send the required number and kind of employees to various organizations on lease basis. They collect the fees and other charges from various industries and pay the salaries, provide benefits to the employees. The leasing company will pay complete salary and benefits to the employees irrespective of the number of days that the employee is sent to various organizations on lease.

This type of agreement is beneficial to the leasing company, specialist, employees and the industry. The industry with limited expenses can utilize the expert advice and service of most competent human resources.

The employees will get continuous employment with better salaries and benefits whilst the leasing company derives surplus resources from its charges and fees.

13.3 MOON LIGHTING BY EMPLOYEES

Wages and salaries are provided to the employees for their services or contributions to the job and organization. Organizations also pay dearness allowance to effect the decline in purchasing power of the employee due to rise in cost of living. Similarly, various allowances are provided to the employee. Further, organisations also provide various fringe benefits to enhance the living standard of the employees. Despite all these allowances and benefits, employees feel that their wages are low, allowances inadequate and fringe benefits insufficient. They feel that employers enjoy the increased profit and that they are being exploited by the employer. Consequently, they agitate for hike in wages, allowances and benefits so as to improve their living standards. But a few employees in most of the organizations realise that all their demands cannot be met by their organization alone. Hence, they depend on some other organizations for part-time job, part-time business or take up a business or start an industrial unit in order to earn more money and become financially stronger. This type of activity, i.e. taking up another part-time job or business or industrial unit simultaneously with that of the original job is known as moon-lighting by employees (double jobbing).

13.3.1 Blue Moon Lighting

Employees in future will demand hike in wages and benefits from the management. The management will also respond positively to the employees' demands. Some employees will be satisfied with the increased wages and benefits and adjust their expenses with the level of wages and benefits from time to time willingly. Some employees will not be satisfied with the level of wages and benefits and will not go for second job in future because of their inability in getting a second job. Such type of employees will have a conflict with the organizational wage level, as this category of employees need a second job for additional income and it will not be available to them. Thus, their efforts to earn additional income through a second job is called Blue Moon Lighting.

13.3.2 Quarter Moon Lighting

A candidate immediately after completing his school/college education joins an organisation in a lower level position. He spends his bachelor life comfortably with his salary. Later, he finds it difficult to make both ends meet as his family grows. He cannot spend for the education of his children, for example. Then the employee prefers to take up a part-time job during the off hours of the present job. Thus, he starts earning additional money to meet the basic needs of himself and his family. Similarly, other employees also take up part-time jobs in private organizations or part-time businesses to meet the increased expenses mostly due to increased demands of the family and/or lower level wages and salaries in present jobs. This part of moon lighting is called a quarter moon lighting by the employees.

13.3.3 Half Moon Lighting

Some employees will not be satisfied with their wages, salaries and benefits as they cannot afford to buy luxury articles with their wages/salaries. Hence, they take up those jobs or business to earn sufficient money to purchase luxury items and to lead a comfortable life. This category of employees spends 50 per cent of the available time and/or resources for the second job/occupation, as they have to earn sufficiently large additional amounts. This extent of moon lighting is called half moon lighting by the employees.

13.3.4 Three-Quarter Moon Lighting

Employees in other professions also take up business or start industrial units to become stronger financially. It may not be possible for them to earn that much income which can be earned in business or industry. Hence, the employees take up other occupations and spend more or less 75 per cent of their time and resources for their business or industrial units. Second job activity to this extent may be called three-quarter moon lighting by employees.

13.3.5 Full Moon Lighting

Employees in some professions/occupations find relatively more free time whereas employees in some organizations generally feel that their income from the job is almost nil compared to their expectations. Some employees have friends or relatives earning more money than their salary. Similarly, some employees view that their friends or relatives with lower educational qualifications/abilities enjoy their social level status due to their ownership of and earning from business and/or industry. Employees who realise that their jobs are almost negligible from the point of view of and/or social status, venture to start/establish a business unit/industrial unit. They spend most of their time and resources in starting, developing, expanding and diversifying their business or industrial units. They keep on staying on the job as it will be useful for them as a shock absorber in times of need. Their financial and social position will almost be determined by the second occupation. This extent of second jobbing is known as Full Moon Lighting by employees.

Notes

13.3.6 Effect of Moon Lighting on HRM

Moon lighting by employees affects almost all the functions of human resource management. The effects of moon lighting would be mostly negative and it poses challenges to the personnel manager. Presently very limited numbers of employees do moon lighting. But the number of employees who will do moon lighting will go on increasing due to change in employee values and expectations.

Management will have to take all possible care in the selection process about the possibility of moon lighting by the prospective candidates. Moon lighting will affect human resource development as employees would not be interested in the human resource development as planned by the organization.

Employees will go on demanding for hikes in wages and other benefits. Moon lighting will expand from dark to full moon lighting if the management does not accept the demand of the employees.

The relations between the superior and subordinate will be affected adversely in case of moon lighting by sub-ordinates. It will also worsen the disciplinary procedure. Management will face a challenge in motivating the moon lighting and non-moon lighting employees in participative management, quality circles etc. Thus, different degrees of moon lighting by employees will affect Human Resource Management in future adversely. It will become a challenging task to the human resource managers.



Check your Progress 1

State True or False.

1. Moon lighting by employees does not affect any function of human resource management.
2. In blue moon lighting by the employees, the efforts of the employees to earn additional income through second job will not bear any fruit.



Activity 1

Write two ways in which employees will supplement their regular income if it is not sufficient.

13.4 FLEXI TIME AND FLEXI WORK

The number of hours in a day, number of days in a week and work schedule when the worker has to perform the job are normally stated in the job description. The number of working hours undergoes changes from time to time as well. The Factories Act, 1948, stipulated conditions regarding hours of work. Most of these changes have been introduced in order to suit the convenience of the workers without affecting the organizational functioning.

13.4.1 Flexi Time

There is a move towards five-day week in industries in India and four-day week in advanced countries. Further, some of the organizations in advanced countries introduced flexible working hours, known as 'Flexi time'. Flexi time is a program that allows flexible entering and leaving (the organisation) times for employees. For example, employees in one management institute have to work from 8.30 AM to 2.30 PM i.e., six hours a day. The institute after introducing various special papers extended its working hours up to 6.30 PM. Then it introduced flexible working hours to the staff based on class hours. The time schedule used by the institute is as follows:

- i. 8.30 AM to 10.30 AM constitutes a flexible band during which the employee may choose the time for doing the class work.
- ii. 10.30 AM to 12.30 PM is core time when all employees must be present. Non-class work such as discussions and meetings among the staff members take place during this time.
- iii. 12.30 to 2.30 PM is flexible time with one hour lunch break.
- iv. 2.30 to 3.30 PM is core working hours.
- v. 3.30 to 6.30 PM is flexible schedule for leaving. Employees, depending upon their class work schedule, are free to leave at any time during this period.

All employees have to work for a minimum period of six hours a day. Group of employees working together have to generally choose the same schedule. Flexi time works better when the employees have self-determination.

The advantages of Flexi time are:

- (i) Increase in productivity
- (ii) Decline the tardiness, as the employee can take care of his domestic work
- (iii) Decline in absenteeism
- (iv) Reduction in employee turnover
- (v) Increase in morale due to individualistic approach to work schedule
- (vi) Increase in work consciousness rather than time consciousness

The problems with the Flexi time concept are:

- (i) Difficulty in time keeping
- (ii) Calculation of over time
- (iii) Problem of supervision

Effects

Most of the Indian industries have not yet introduced the flexi time. But in future, the trade unions will demand for the introduction of not only flexi time but also flexi years. The employees work for the number of working hours

during some days, which they have to work for the entire year. The introductions of flexi time and flexi year, despite their plus points, pose a challenge to the human resource manager.

13.4.2 Flexi Work

Flexi work is a program that allows flexibility in handling the type of work in various departments of the organizations in a systematic way by the employee during his tenure of employment in an organization. For example, a candidate may be selected as clerk in the Personnel Department and after 2 years, he may be allowed to take up work in any other department of the organization. After some time, he may be allowed to improve his qualifications depending upon his interest and allowed to take up any assignment in junior level management in the organization. At this juncture, the employee will also be given freedom to change from one job to another of the same cadre in fixed intervals. Thus, an employee in the junior level management in the Personnel Department who is in-charge of recruitment may take up the position of a manager in the finance department or a manager in advertising or in marketing.

This provision helps the employee to satisfy his need for freedom, challenging and interesting work and, at the same time, it helps the organisation in its effective functioning, minimizing frustrations and enriching its Human Resources.

Sometimes, employees may feel frustrated due to various reasons. Important among them are:

- Over Specialization in the Work: Employee is required to do only a small portion of the total work time and again due to over specialization. His full range of resources and talents is required for that small portion of the total work, causing frustration.
- Lack of Challenging Work: Many organisations do not provide challenging work and consequently they are unable to utilise the skill, and knowledge of the employees. For example, most of the commercial banks hired highly talented candidates even for clerical positions. These banks are unable to utilise the talents and resources available with these employees and consequently the employees get frustrated.
- Lack of Interest: Most of the employees today either fail to get the jobs of their choice or jobs of interest in view of their career orientation. Hence, they become disinterested in doing the given job and finally get frustrated. Such employees are interested only in salary and career and not in the job content.
- Routine Nature of Work: The nature of work of many jobs is routine and repetitive. So employees have to do the same work repeatedly, which naturally results in frustration.

13.5 TRAINING AND DEVELOPMENT

Almost all the organisations train employees either in their own training colleges or in the training colleges of other organisations. A few big organisations have their own management development institute, whereas a large number

of organisations conduct the executive development programmes in five-star hotels drawing the faculty from industry and reputed educational institutes.

Almost all the organizations depend on different types of educational institutes such as colleges, universities and other institutes for employees. The candidates spend more than fifteen years in various educational institutes before joining these organizations as employees at different levels. Some organizations, after employing the candidates, mostly find that the candidates are not exactly suitable to job requirements and organizational requirements, even though candidates have to spend long years for their education. Hence, organizations spend a lot of time and resources in training, developing and educating their employees in tune with the job awareness and organization requirements. This is mostly due to the absence of linkage between industry and universities/institutes. But it is also felt that the linkage between industry and university will not solve this problem effectively as the course curriculum of the universities cannot satisfy the requirements of each and every industrial unit. Thus, the present system has resulted in the loss of man-days, financial resources and other resources in educating the candidates, which is mostly irrelevant from the context of the industrial requirements. At this juncture, the idea of establishing educational institutes by the organizations themselves is the need.

13.6 MANAGEMENT PARTICIPATION IN EMPLOYEES' ORGANISATIONS

With the formation and recognition of the employees' organizations, the management cannot make unilateral decisions that affect employee relationships directly or indirectly. Decisions relating to policies on employment, training, transfer, promotion, adoption of latest technology changes relating to shifts, hours of work wages, benefits, level, lay off or retrenchment are no longer determined by the unilateral action of management and must now be discussed with the representatives of employees' organisations. Thus, management has been restricted in the areas where it can make decisions about human resource management independently of the employees' organization, as trade unions are themselves becoming more sophisticated. Decisions on the policies and administration may still rest with management. But they are frequently subject to question and criticism by union representatives under a formal grievance procedure. E. Wight Bakke observed, "union is an employer relating device that seeks to regulate the discretion of the employers... at every point where their action affects the welfare of the man".

Influence of Employees' Organizations

Employees' Organizations in India also have their impact on various aspects, policies and decisions pertaining to human resource management of various industries. Thus, Indian trade unions regulate the functioning of the management as far as personnel management is concerned (directly or indirectly).

Recognised unions and federations provide the employees with a means of taking action in case of employee dissatisfaction not only by approaching the immediate supervisor, but also by reaching to top level in the management

Notes

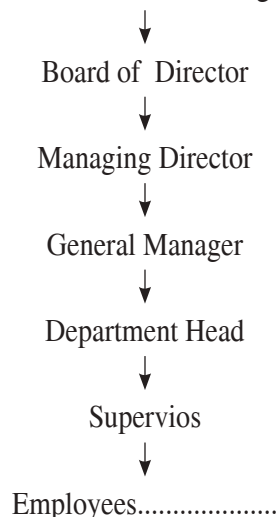
hierarchy with their grievance procedure of permanent or ad-hoc negotiation/consultative machinery at factory level/industry level or at regional level. This may be an unpleasant experience for the manager who relishes unchecked authority.

Federation and unions at all levels are managed on the lines of management of a political body. Union leaders at different levels and at federation level are elected on democratic principles and many unions decisions are also made by direct vote of the members.

Therefore, decisions in employees' organizations do not necessarily flow from top to down as they do in management (see Fig.13.1). Union leaders must always win something in the grievance procedure in order to gain the confidence of members. Hence, federation/unions are in a strategic position to compete with management for the loyalty of union members (depicted in Fig. 13.2). In some situations, trade union leaders may provide wrong information to trade union members. The federations and unions may try to claim credit for improvement in wages, allowances, bonus, benefits etc. even implying that these benefits had to be taken wrong from an unwilling management.

The awareness that the federations are ready to challenge management's action particularly with respect to promotions, transfers, seniority etc. stimulates management at various levels to exercise more care in shaping personnel policies and in their implementation. Thus, the growth and strengthening of federations/unions in Indian industry have given an impetus to the development of sound personnel policies. Certainly, it forces management to consider carefully the impact of such policies on their human resources. Thus, the functioning of federations and unions has its impact on human resource management of various industries and organizations.

Flow of Decisions in Management



Flow Decisions in Employees Organisation

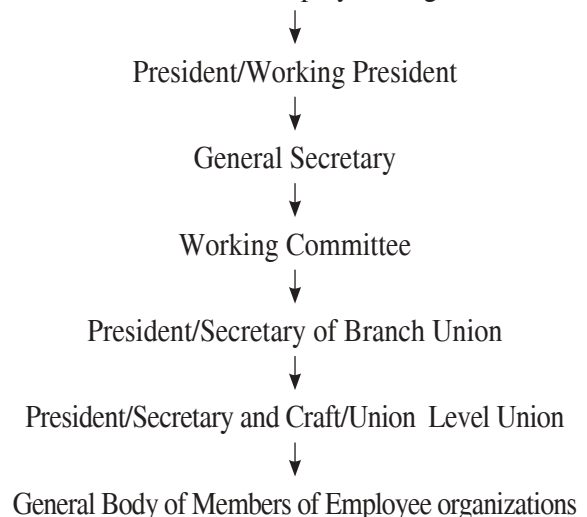


Fig 13.1: Flow of Decisions in Management and in Employees organizations

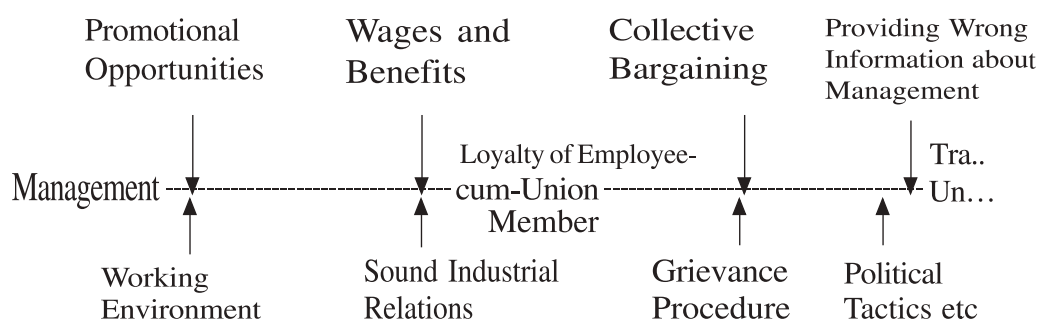


Fig 13.2: Competition between management and Union for the loyalty of union Members

Need for Participation

It may be felt that federations and unions constitute not only a part of organizations but also an important and crucial wing of them. If they are mismanaged, they affect industrial peace and management of personnel and thereby disturb the smooth functioning and growth of organizations (shown in Fig. 13.3). But it is felt that federations and unions in India are not functioning on sound lines owing mostly to outside political leadership. The leadership of most of the employees' organizations has been outside leadership mainly drawn from political parties, as the labor movement in India is deeply involved with politics and politicians.

In fact, political parties invented trade unions in India. Outside leadership has played a pivotal role in the Indian Trade Union movement due to the inability of insiders to lead their movement in view of low educational standard and poor command of English, which is still the principal language of labor legislation and negotiation; low level of knowledge about legislations; unsound financial position; fear of victimization by the employer and lack of leadership qualities. Political leadership, though it is a base for the development of Indian trade union movement, is mostly responsible for the evils associated with the present day's trade unions. Other causes for unsound functioning of Indian trade unions are category wise unions, multiple unions, intra and inter union rivalry, low membership per union, poor finances etc. Hence, it may be felt that the proper functioning and management of federations and unions is vested not only with the leaders of these organizations but also with the managements concerned. In this connection, the participation of representatives of management in discussing and finalizing proposals of unions and federations may be called for. This enables the two parties to exchange ideas, opinions, information and knowledge to understand each other's viewpoint with an open mind and thereby avoid all misunderstandings. Thus, the management representatives may provide effective plans and suggestions, advice organization and give directions for sound management and functioning of federations and unions for the common good of both the parties.

Nature and Extent of Participation

Participation of management representatives in trade unions may be particularly limited to advisory role and thus the final decision on all trade union matters and policies may still rest with the union leaders and members.

Notes

Thus, management representatives help and counsel the trade union leaders and members to work most effectively in accomplishing the goals of the employees' organizations. Management representatives also help the trade unions in the formulation of plans as well as by providing information. Thus, management representative have authority over ideas, plans, views etc. while participating in trade union organizations. Management representatives' control is monitoring, reporting and preparing trade union leaders and members for action. In other words, the role of management representatives while participating in trade union administration is advisory and monitoring information, ideas and opinions.

Prerequisites for Participation

The primary prerequisites for the perfect functioning management participation in trade unions include the existence of well-organized and recognized unions with sound policies. Both the parties should furnish reliable information and have implicit faith in information supplied by others. The form and coverage of items for discussion and participation should be specified in advance. Participation in management and considering of suggestions and advice by unions should be in good faith and spirit. The number of unions should be limited, preferably between one and two. Management should delegate authority to its representatives (who participate in unions) to provide comprehensive programs for education and training. An effective two-way communication system is also essential for the scheme. Finally, follow up action should be ensured.

Parties to Participation

The federations may invite the administrations concerned practically, chief of the organization and chief of the personnel department to their meetings of annual general body and or annual conventions which are the supreme governing bodies with the agenda of annual general body meeting/annual convention in advance. These federations may also invite the managements' representatives to participate in working committee meetings which normally take place once in every months and advice in all matters (See Fig. 13.3).

Unions at industry level may also invite chief of the organisations or his nominee, chief of the personnel department and other representatives from line and personnel areas to participate in annual general body convention meetings and working committee meetings.

The unions at the department/divisional level may invite divisional/department manager and personnel manager to participate in divisional/departmental meetings. The unions at plant level/shop level/branch level may also invite management's representative, which include, representatives from line and personnel departments to participate in annual general body/ convention and working committee with the agenda of the meeting in advance.

Contribution to Trade Union Functioning

This type of management participation in federations, unions at industry level and at plant/ shop/branch level enables the management to know the employees'

viewpoint, their ideas and opinions about the problems. This common platform makes these two parties to think and analyse the problem from others' viewpoint and in right perspective and make them realise that they are under a common roof and striving to achieve a common end (See Fig. 13.3).

Organization

Organization

Trade union

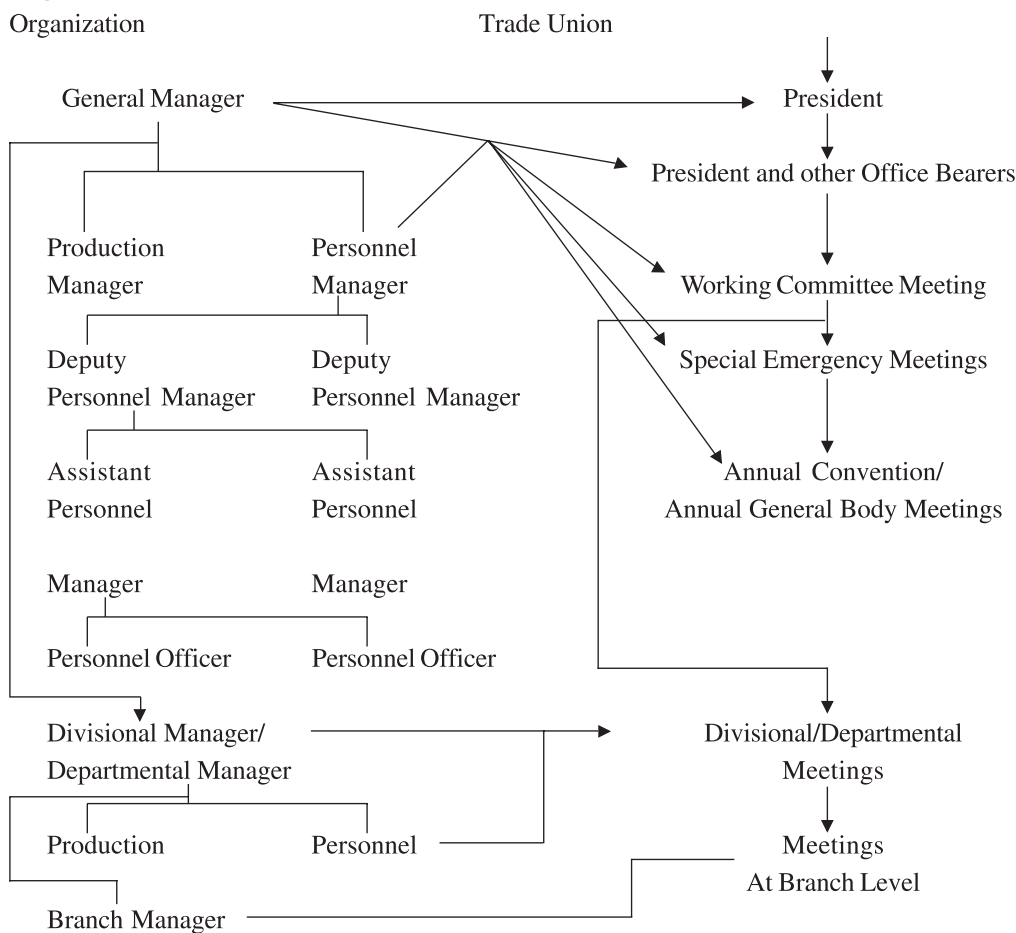


Fig 13.3: Participation the Various Levels

Participation of management's representatives in the trade union meetings, particularly at the time of industrial disputes, helps both the parties to exchange their contradictory views, discuss the problems and know each other's difficulties in solving the problems. This enables to minimise the lacuna between the viewpoints of both the parties and avert various forms of industrial conflicts. Further, it may also help to solve the disputes in an early stage itself.

Thus, participation of management in federations and unions at all levels helps to strengthen the trade union movement, maintain industrial harmony and develop sound human relations besides congenial industrial relations.

Possible Opposition

Though this concept of management participation in trade unions' seems to be sound and of great value to trade unions and management, the trade union leaders, particularly those connected with political parties, strongly oppose this concept, feeling that their influence is decelerated among trade union members

and upon management. But the influence of trade union leaders will be unaffected if they discharge their functions in true spirit, even after introducing the management participation in trade unions. Some trade union members may also oppose this concept, thinking that their movement will be weakened with the interference of management in their unions.

Some management may be disinterested in the participation in trade unions owing to the possibility of misunderstanding among trade union leaders and members. This opposition can be lured by properly educating all the parties concerned with management participation in union activities.

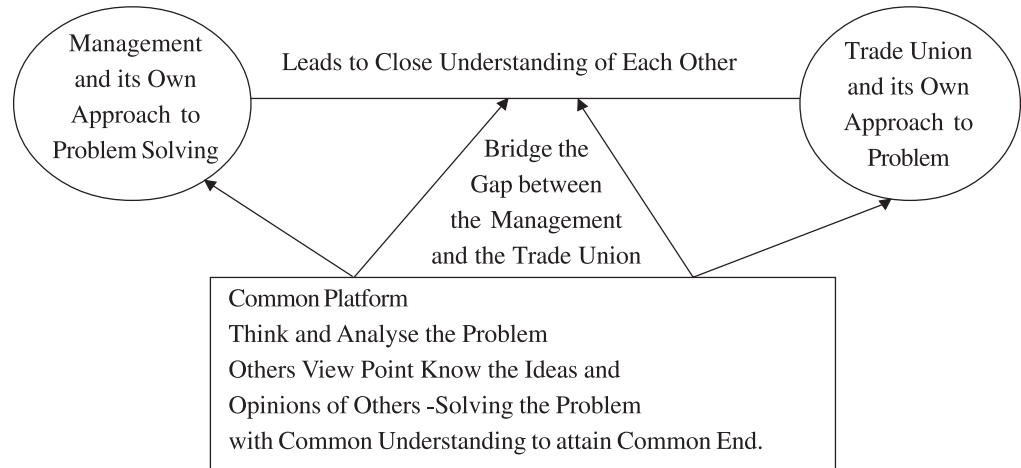


Fig 13.4: Common Approach in Problem Solving

Measures to make the Scheme Effective

Even though this concept of ‘management participation in employees’ organizations’ is opposed by different quarters during the early stages, it may gain the confidence of trade union leaders, trade union members and management if they are properly educated about the concept and its value in strengthening trade union functioning, minimizing misunderstandings between management and trade unions and thereby contributing to industrial harmony.



Check your Progress 2

Fill in the blanks.

1. A programme that allows flexible entering and learning (the organisation) times for the employees is known as _____.
2. The primary prerequisites for the perfect functioning management participation in trade unions include _____.



Activity 2

Describe the scheme of workers’ participation in management followed in your organisation.

13.7 CONSUMER PARTICIPATION IN COLLECTIVE BARGAINING

Notes

Collective Bargaining as an institutional process for solving problems arising directly out of employer-employee relationships has already gained an important place in human resource management. The two parties to the collective bargaining, viz. the employee and the employer have an opportunity to ventilate their side of the problems without any reference to the impact of that settlement on the consumer of their product in particular and the society in general. Consumer participation in collective bargaining, therefore, is a new dimension in human resource management, which needs a closer consideration.

Hence, it is suggested that the employees, their unions, employers and their associations should encourage the participation of consumers' representatives in meetings of collective bargaining by taking the scheme in the right spirit for which it is meant. Scope will not be given for political involvement. Above all, the consumers' organization should be run on sound lines in all respects to make the scheme feasible and practically viable to protect the consumer to gain due share with workers and management in collective bargaining.

13.8 COLLABORATIVE MANAGEMENT - A MULTI DIMENSIONAL APPROACH

It is the general practice that the owners and/or their representatives manage the organization. But, most of the organizations started allowing their employees to participate in management. It is viewed that different parties concerned with the organizational activities (viz. Owners, Workers, Consumers and Government) will manage the organization through participation. Such type of management system is referred here as 'Collaborative Management'.

The management of various types of organisations would be effective if the parties concerned with the organizational functioning/activities participate in management. Management participation denotes that the parties concerned with the organizational activities participate in performing the managerial functions of the organization concerned. These managerial functions include planning, organising, directing and controlling of various functional areas such as human resource management, finance management, marketing and systems management.

Some of the practices of collaborative management are discussed below.

13.8.1 Workers' Participation

Workers' participation in management was initiated to satisfy the workers' psychological needs, develop a sense of belongingness and loyalty to the organization among workers, establish industrial peace and utilise the educated worker's expertise and experience.

Some organizations provide schemes such as profit sharing by workers, offering equity stock to workers in order to satisfy them more and to develop a sense of belongingness among them.

The sense of belongingness among workers and their loyalty to the organization is not increasing despite the induction and operation of the above schemes. Consequently, workers' ownership and management has been introduced. In fact, the idea of workers' ownership and management of industry is not new.

The objectives of workers ownership and management include minimization of the causes of alienation, lack of belongingness and loyalty etc. Though workers ownership and management is in practice in a few industries, it is said that the scheme is not successful in practice due to its limitations.

Presently, organizations are taking measures to satisfy the workers through various methods including the schemes of workers' participation in management. Similarly, financial institutions are also allowed to participate in management.

Workers and/or trade unions participate in the management of human resources. They participate in deciding the policies, strategies and programmes relating to manpower planning, employment, wage and salary administration and maintenance of sound industrial relations.

In addition to the above, workers also participate in management, finance, marketing, production and the like. They can participate effectively as they are well aware of all the management activities in all functional areas at different levels. Workers at the appropriate level participate in the management at the level and department concerned.

13.8.2 Customers' Participation

Consumers/customers play a vital role in any organization. In fact, it is viewed that a customer should be treated as a king. In the opinion of Mahatma Gandhi, a customer is not dependent on the organization but the organization is dependent on the customer. Customer is the purpose of any organization. He is not an outsider to the organization; he is part of it. Organization is not doing any favor to the customer but a customer is doing a favor to the organization.

Goods/services produced/rendered with the contribution of employees and employer are for the use by the customers. Thus, consumers help the organization to get profits and the employees to earn wages and benefits. In fact, consumers help the organization for its survival and development. But the consumer is not given his due share in the management of the organization.

In future, customers will organize their movement and fight for the rights. Consumers will protect their rights through several techniques. The important and effective one among those techniques would be consumers' participation in management. Consumers through their associations and/or federations in future will demand for their participation in management of the organization. Consumers will participate in decision-making relating to policies, strategies, pricing, quality of products, distribution, pre-sales and post-sales service and the like. Thus, consumer participate in all areas of management shall affect the consumer directly and indirectly. Further, consumers also participate in

decision-making in other areas such as financial management, marketing management, production management, where their interest is involved. Consumer participation in management helps the industry to produce goods/render services based on consumer's needs and preference and in attaining the objectives of the institution in the economic system for which it is established.

13.8.3 Government's Participation

Government as the custodian of the nation has the responsibility to protect the interest of all the parties involved in the process and activities of the organization. Further it has the responsibility towards itself, i.e. collecting taxes, duties etc. from various organizations accurately and promptly. It should also ensure that all the legislations, policy issues are implemented by the organizations properly. Government in order to discharge responsibility effectively will nominate its representatives in the boards of management of all organizations and industries in the country in future. Of course, presently the government at both the center and state has started nominating its representatives in the board of management of a few companies, where its interest is directly involved.

Financial institutions such as Industrial Development Bank of India and Industrial Finance Corporation of India have started nominating their representatives in the Boards of Directors of the companies for which they provide finances.

13.8.4 Stockholders' Participation

Stockholders of the organizations- both individuals and institutions- manage the organizations relating to all areas and activities. They have the ultimate authority to manage the organization.

There is much possibility, desirability and viability of management by stockholders, workers, consumers and Government rather than just by the stockholders. These four parties will participate in management and manage the organization through team spirit. The representatives of the four parties, rather than the parties involved in organization, will manage the organization.

Each party need not play its role in an inclusive manner but may participate in all the activities of the organization. This concept of participative management will result in effective management of the organization by protecting the interest of all those concerned with it. In other words, there would not be any exploitation by capitalists or stockholders.

13.8.5 Employee's Proxy

Some people who enjoyed higher status both economically and socially may be forced to take up jobs in the rank and file cadre due to adverse economic conditions of the family. Most of such employees may adapt themselves to the status, nature of the work and working conditions of the rank and file level jobs. But a few of such employees may not adjust themselves to the status of the job both socially and psychologically, though they may not find any maladjustment economically and physically with such jobs. Some of the employees of such

category may send some outsiders to do their work in the organization as their proxy. Generally, they send those candidates who are capable of doing their work. The supervisor either accepts himself or is forced to accept for the arrangement of proxy. Similarly, those employees who resort to moon lighting may also sometimes send their proxy to take up organizational work on their behalf in view of their busy schedule.

Thus, employees adopt proxy system in order to improve their economic status, social status and psychological well being. This system has been prevalent in unorganized sectors such as agricultural and small-scale industries. This system has now started taking its roots in organized industrial sector and non-industrial sector as well.

This system, though reduces the consequences of absenteeism, adversely affects discipline, quality of production, quantity of production and quality of various operations in the organization due to low-level quality of human resources of the proxy. This system may not adversely affect the work in an unorganized sector.

However, human resource managers of organized sector will face problems of this system in future. Hence, steps would be taken now itself to indicate the extension of this system to the organized sector.

Certain jobs demand of the employees quicker understanding of organization climate, culture, behavior, which essentially work in middle, lower and higher level management. But all jobs, which are technology-oriented demand high profile of proxies. In this situation, generally proxies would be those who retired from the same or similar organization. In case of unskilled jobs, these factors need not be followed.



Check your Progress 3

Multiple Choice Multiple Response.

1. Why was workers participation in management initiated?
 - i. To satisfy workers psychological needs
 - ii. To develop a sense of belongingness
 - iii. To battle the mounting problems of worker
 - iv. To establish industrial peace

13.9 HUMAN RESOURCE ACCOUNTING

Human Resource Accounting is the process of identifying and measuring data about human resources and communicating this information to interested parties. It is the process of developing financial assessments for people within an organization and society and the monitoring of these assessments through time. It deals with investments in people and with economic results of those

investments.

Thus, it essentially involves: (a) measurement and valuation of human resources and (b) communicating the relevant information to management and external users.

Definitions

- Stephen Knauf defined HRA as “the measurement and qualification of human organizational inputs; such as recruiting, training experience and commitment.”
- Eric Flamholtz explained human resource accounting as accounting for people as organization resources. It is the measurement of the cost and value of people for the organization.

Human Resource Accounting may also be defined as the measurement and reporting of the cost and value of people as organizational resources. It involves accounting for investment in people and their replacement of the costs, as well as accounting for the economic values of people to an organization.

13.9.1 Objections to the Treatment of People as Assets

There are several objections to the treatment of people as assets in accounting sense but they have been by and large over-ruled. They are:

- (i) The first objection is that the people are not owned by the organization like other physical properties. It is true that people cannot be regarded as slaves or chattels in a modern society. But, it does not imply that the potential benefits of skilled manpower should not be assessed. There are many organizations where investment in physical non-human capital is negligible, and most of their earnings are derived from the skill and ability of experienced personnel. If the return on investment in any such organization is calculated on the basis of only physical, non-human capital, the rate of return would be unbelievably high. Take for instance consultants, architects, designers and trading firms. The human assets constitute their real and major earning base. The rate of return on investment in these cases, calculated with only gross fixed assets taken as denominator, would show unrealistic scores if the value of human asset is not included.
- (ii) Another argument is that there is no assurance of future benefits from human resources. This argument is also not tenable. When fixed assets such as plant and machinery are procured, the cost incurred is the estimated potential value of the benefits likely to be derived. Uncertainties of changes in technology and production process and premature obsolescence of machinery are taken into account while assigning their potential benefits and service life. There is no reason human asset should not be amenable to the same treatment.
- (iii) One more objection to human resource accounting is that it may not be recognized by tax laws. This objection again cannot be sustained. In actual practice, even now the profit and loss accounts prepared on the basis of

existing conventions and concepts have to be redrawn for tax accounting purposes. It should thus be possible to overcome the difficulty of tax laws by incorporating the value of human resources in the financial statements, while accounting for tax purpose may be separately taken care of.

13.9.2 Need for Human Resource Accounting

The need for human resource accounting arose primarily because of the growing concern for human relations management in industry since the 60's of this century. Behavioral scientists concerned with the management of organizations pointed out that the failure of accountants to value human resources was a serious handicap for effective management.

- (i) One of the most important aspects of the business manager's job is the use of resources to achieve the immediate and long-term goals of the organization. The human beings constitute an important asset for an organization. Without people in an organization, physical and financial resources cannot be operationally effective. But no information about the organization's human resources is available to managers in conventional accounting.
- (ii) The measures of income provided in the conventional statements do not accurately reflect the level of business performance. Expenses relating to the human organization are charged to current revenue instead of being treated as investments to be amortised over the economic service life, with the result that the magnitude of net income is significantly distorted. For that reason, conventional balance sheets fail to reflect the value of human assets and hence distort the value of the firm and the rate of return of investment. Distorted measures render assessment of firms and inter-firms comparison difficult.
- (iii) Conventional treatment of investments of human resources may lead to the erosion of investor's interest through management decision, harmful to the long run success of an organization and to the investor's equity.
- (iv) Traditional accounting involves treatment of human capital and non-human capital differently. While non-human capital is represented by the recorded value of asset, there is no record of human asset corresponding to the human capital of the organisation. But the human asset constitutes a vital part of the total capital, in as much as productivity and profitability to business firms largely depend on the contribution of human assets. Two firms may be engaged in the same line of business, use identical physical asset and operate under similar market conditions, but the end results in term of growth and profitability may be quite different due to differences in their human assets. Since the value of human capital is ignored in traditional accounting practice, real assessment of the total value of a firm is not possible.
- (v) Expenses incurred by a firm on recruitment, training and development of employees are treated as current costs and written off against current

revenue in the conventional accounts. Expenses on employee welfare and amenities as well as incentive payments for improving efficiency are similarly treated under the present system of accounting. But all these expenses are essentially of the nature of investment, as the resulting benefits are more often derived over a period beyond one year. The conventional treatment of these expenses leads to a general inclination on the part of managers to keep down expenses on human development on welfare. Immediate saving in costs and the resulting profits are achieved if the long-term impact of such a policy on the motivation and morale of the employees is neglected.

- (vi) The impact of management decisions on the human asset of the organization cannot be clearly perceived if the value of human resources is not duly reported in the profit and loss account and balance sheet.

13.9.3 Current Practice

The measurement of inter-temporal results of business in terms of profit or loss is primarily based on the classification of all transactions into two groups: (a) Capital and (b) Revenue. In between these two, some items of revenue nature are treated as 'Deferred Revenue Items' to avoid distortions in the periodical results due to inclusion of extraordinary large sums of revenue nature. On the other hand, some items of capital nature involving relatively small amounts are treated as 'revenue items' as a compliance with the 'principle of materiality'. The items classified as 'capitals' are actually assetized for the time being and they continue to appear on balance sheets of successive years till they are fully written off to profit and loss account through depreciation or amortization. However, this is only a technique of inter- period allocations and in the long-run, all capital items also become revenue items.

The current accounting practice, as it relates to human resource, generally treats all cost related to human resource as of 'revenue' nature. Typical balance sheet of any business concern does not disclose 'human assets'. All expenses related to recruitment, training, familiarization and development of human resources are charged against the revenue of the relevant accounting period in which they are actually incurred. This is done despite the fact that the benefit accruing from such expenses relates to several accounting periods. Accountancy justifies this obvious violation of the 'accrual principle' on grounds of the adherence to the 'principle of conservation'. They argue that one is never sure about the realization of such future benefits due to uncertainty of the tenure of an employee. Hence, it is proper to treat such expenses as revenue expenses.

It would be quite pertinent to note that although no separate head, e.g. 'Human Resources' or 'Human Assets', appears on a balance sheet, accountants are not totally unaware of the existence of the value of human resources. They recognize it in the process of valuation of goodwill along with several other factors. However, they do not favor periodic valuation of goodwill and its disclosure in a balance sheet as part of the regular valuation process. On the contrary, they favor amortisation of even the cost of purchased goodwill when profits are sufficient to permit it. Thus, the value of human resources is written by amortization of goodwill when it is actually increasing.

13.9.4 Consequences

The consequences of the current accounting practice relating to human resources are deep and wide. Its behavioral and policy impacts are too significant to be dismissed lightly. They may be listed as under:

- (i) By charging expenses of recruitment, training and development of human resources to current period's profit and loss account, profits during that period are understated or losses are overstated. By doing so, the boundaries of principles of conservatism are stretched beyond its logical limits and even at the cost of ignoring the tenet of accrual.
- (ii) By not capitalizing expenses relating to human resources as mentioned above, even when they are substantial, the assets are concealed and net worth is understated to that extent.
- (iii) The combined effect of the foregoing to points would be a blatant negation of the cardinal principal of true and fair disclosure in published accounts.
- (iv) By writing off goodwill when profits are rising, accounting create secret reserves.
- (v) Though physical assets are fully recorded under the existent system, human assets are ignored in the internal as well as external reports. This leads to faulty evaluation and decisions.

By not valuing human resources, depreciation of human assets is also ignored. It is a stark reality that human resource deteriorates in terms of its efficiency and productivity due to several indigenous and exogenous man-made factors. Had there been any attempt to systematically measure and report the 'depreciation' or 'appreciation' of human resources, the quality of management would certainly improve.

13.9.5 Aims and Objectives of HRA

Human resource accounting aims at the following:

- (i) Increased managerial awareness of the value of human resources.
- (ii) Better decisions about people, based on improved information system.
- (iii) Greater accountability on the part of management for its human resources.
- (iv) Developing new measures of effective manpower utilisation.
- (v) Enabling a longer time horizon for planning and budgeting.
- (vi) Better human resource planning.

13.9.6 Methods of Valuation of Human Resources

The proponents of HRA have suggested several methods of valuation for human resources. They may be briefly stated here:

- (i) **Historical Cost Method:** Human resources are valued at the unexpired portion of the costs of recruiting, training and development of employees. This is very simple and meets the tests of traditional principles of accounting.

- It simply involves an extension of the concept of proper matching of cost and revenue. However, this cannot fulfill the requirement of developing a system of HRA based on systematic valuation of internal as well as external human resources, which may improve the quality and utility of accounting reports from the viewpoint of rational decision-making.
- (ii) **Replacement Cost:** This requires an estimation of the cost of replacing the existing personnel under existing organisational conditions. Rensis Likert has suggested determination of the value of total human organisation on the basis of the assumption that you want to create a similar organisation from scratch and then estimate the cost required for this purpose. This serves as the basis of valuation of human resources from time to time.
- It is difficult to find identical replacement of the existing human resources in actual practice. The determination of such a value will be affected by subjective consideration to a marked extent and therefore the value will differ widely from person to person. Further it lacks verifiability.
- (iii) **Standard Cost Method:** To avoid complicated calculation under the replacement cost, standard cost of recruiting, hiring, training and developing per grade of employee are developed and established and made up to date every year. The standard cost so arrived at for all human beings are treated as the value of human resources for accounting purposes. Besides providing easy implementation, the variances produced should be analysed and would form a useful basis for control.
- (iv) **Present Value:** The present value of human resources would represent the discounted value of the estimated further net contributions of personnel to the earnings of the company.
- The basis of valuation is quite complicated. It requires use of assumption regarding probable state of the employee with the firm at different stages of his service.
- (v) **Current Purchase Power Method (CPPM):** Under this method, the historical cost of investment in human resources is converted into current purchasing power of money with the help of index numbers. The standard cost method and current purchase power method also suffer from all drawbacks to the replacement cost except that they are simpler in calculation.
- (vi) **Opportunity Cost Method:** In this method by value of an employee in his alternative use is determined. The value is taken as the basis for estimating the value of human resources employed by the organization. If the employee can be hired easily externally, there is no opportunity cost for them. To determine the opportunity cost competing bidding method is used to exclude the value of employees of the type who can be hired readily.
- (vii) **Economic Value Method:** The present value of a portion of the firm's future earning attributable to human resources will be the value of human resources.

(viii) Statistical Based Method: In this method, the importance of the employee's skill and capabilities is decided on the basis of his/her past performance and career experiences. The data or records are evaluated with the help of statistical tools or methods.

13.9.7 Valuation Models

The basis of valuation is quite complicated. It requires use of assumptions regarding probable state of the employee with the firm at the different stages of his service. Three important models have been developed in this respect.

- (a) Lev and Schwartz Model
- (b) Eric Flamholtz Model
- (c) Jaggi-Lau's Model

The first is based on the assumption that the employee will stay with the firm till retirement. The second relaxes this unrealistic assumption and the probability of expected stay with the firm at different stages of services of each employee is computed for this purpose.

The third model introduces 'group' as the basis of such calculation based on historical data regarding employee turnover pattern.

13.9.8 Benefits of HRA

Benefits of HRA can be listed thus:

- (i) The adoption of the system of HRA discloses the value of human resources. This helps in proper interpretation of Return on Capital Employed. Such information would give a long-term perspective of the business performance which would be more reliable than the Return on Capital Employed under the conventional system of accounting.
- (ii) The maintenance of detailed record relating to internal human resources (i.e. employees) improves managerial decisions-making, specially institutions like direct recruitment v/s promotions; transfer v/s retention; retrenchment v/s retention; utility of cost reduction program in view of its possible impact on human relations and impact of budgetary control on human relations and organizational behavior. Thus, the use of HRA will definitely improve the quality of management.
- (iii) The adoption of the system of HRA serves the social purpose by identification of human resources as a valuable asset which will help prevention of misuse and underuse due to thoughtless or rather reckless transfers, demotions, lay-offs and day-to-day maltreatment by supervisors and other superiors in the administrative hierarchy; efficient allocation of resources in the economy; efficiency in the use of human resources; and proper understanding of the evil effects of avoidable Labor unrest/ disputes on the quality of internal human resources.
- (iv) The system of HRA would no doubt, pave the way for increasing productivity of the human resources, because, the fact that a monetary

value is attached to the human resources and that human talents devotion and skills are considered as valuable assets and allotted a place in the financial statements of the organizations, would boost the morale, loyalty and initiative of the employees, creating in their mind a sense of belonging towards the organization and would act as a great incentive giving rise to increased productivity.

13.9.9 Human Resource Accounting in India

Under the constraints under which the financial statements are prepared by the Companies Law in India, there is no scope for showing any significant information about human resources in financial statements except the remuneration paid to them and the number of employees getting Rs.36,000/- p.a. or Rs. 3,000/- p.m. but there is nothing to prohibit the companies to attach information about the worth of human resources and the results of the performance during the accounting period in notes or schedules.

In India the concept of HRA is yet to gain momentum. Bharat Heavy Electricals is a pioneer in this direction. A few more organizations like Minerals and Metals Trading Corporation of India, Southern Petrochemical Industries Corporation, Oil and Natural Gas Commission and Neyvelli Lignite Corporation are adopting these concepts. But the concept is adopted as additional information.

The HRA attempt by MMTC is summarized here. The following are the general considerations in the working of HR concept by organizations.

- (i) Only internal human organizations (employees) is considered. External organizations like customers are not considered.
- (ii) As categories of employees are included the value of employee's potential services is considered.
- (iii) HR value is worked out on the Lev and Schwartz model.
- (iv) A 12% discount rate is adopted.
- (v) Employees are classified according to age and pay scales under six categories -executives, supervisors, supporting technical staff, skilled artisans, unskilled and semi skilled workers and clerical staff.
- (vi) Weighted average is calculated for each group on information on total no of employees at each incremental stage and in each grade.
- (vii) Future number of employees is worked out on the basis of general promotion policy.
- (viii) Employee considerations include direct and indirect benefits.

13.10 ORGANIZATIONAL POLITICS

The practice of human resource management significantly varies from theoretical concepts, principles and established facts. Most of the practitioners view that there is little relevance between theory/concept and practice of human resource management. A few practitioners realize that their performance to a

greater extent is determined by the level at which the theoretical concepts can be put into practice by them. But often the organizational politics hinders the goals of the manager in putting the concepts into practice. Most of the concepts of the human resource management and/or organizational behavior become non practicable due to organizational politics. Moreover, the complexities involved in human resource management and failure in predicting human behavior to certain extent are due to organizational politics. Most of the organizational politics are the result of variations and conflicts between individual goals of one group and another group within an organisation.

13.10.1 Meaning and Definition

Stephen P. Robbins defines organizational politics as, ‘any behavior by any organizational member that is self-serving. The behavior makes no reference to the goals or interests of the organization. When the individuals act to enhance their own position, regardless of cost of the organization or to others, they are acting politically. Organizational politicking exists wherever people work together’. It is “endemic to every organization, regardless of size, function of character of ownership”.

Is there any special group of employees who act politically? Or is it limited to a particular level in the organizational hierarchy? The answer is ‘No’. There is no special group of employees and it is not limited to any level in the organizational hierarchy. Almost all employees including the chief executive act politically to set their individual goals over organizational goals at the cost of the organization. Human resource management becomes a complicated task and it will be uncontrollable and ineffective when the chief executive of the organization also acts politically. Organizational politics, sometimes, leads to organizational ineffectiveness. But sometimes the individuals as well as the groups, work effectively and utilize their resources to the maximum extent in order to attain their individual/ group goals. This in turn results in achieving organizational goals. This healthy politics sometimes contribute to organizational success.

13.10.2 Causes of Organizational Politics

Most important causes of organizational politics are discussed hereunder.

- (i) **Variations and conflict in the goals between one individual employee and another individual employee:** People join and work in organizations to achieve their personal ends/interest in addition to contributing to organizational goals. For example, if one employee’s goal is to contribute his maximum abilities to the organization and the goal of another employee is to contribute his abilities to the organization only upto the level of keeping himself on the job. In such a situation, the second employee may influence the first employee to minimize his contribution and to make his position safer or he may change that the contribution of the first employee are not appreciable. Thus, variations in goals may lead to organizational politics. The chance for good conflict is less in cases of variation in goals.

If the two employees have the same goals, then also there is a conflict. For example, if the two employees have in mind promotion and the same position, it would result in a conflict between the two. Under such circumstances, the employees with a common goal can foresee the possible conflict and possible danger. And they may even politicalize the issue in order to weaken the candidature of each other part. They exhaust their resources in pulling down the legs of each other rather than contributing to the development of the organization. Thus, the resources and time of organizational members are wasted in politics affecting organizational effectiveness.

- (ii) **Variations in degree of success/failure between (a) employee and other employee and (b) one employee and group of employees:** Variations in degrees of success or failure is another cause for politics. Generally, two individuals cannot attain the same level of success or cannot fail at the same rate. The employee or group whose degree of success is less than that of another employee or group, may try to defend himself by depreciating the successful employee either publicly or privately. Sometimes, if employees visualize that their success will be less than that of other employee they try to find fault with the various system or with superiors or techniques adopted by other employees. Otherwise, they may start using cheap techniques to win over the other employee. Similarly, the employee with a greater degree of failure may politicize the issue against other employee with lesser degree of failure. Even a group of employees may resort to politics against an employee when their level of success is less than that of an employee or their level of failure is greater.
- (iii) **Variations and conflict in goals between (a) two sections of a group and (b) between two groups:** We listen to sectional or fractional conflict and inter group conflict. These conflicts are due to the goal conflict of different sections of a group or of two groups. When two or more sections of a group or two groups strive to attain the same goal, one section of the group/(group) is interested in their success whilst another group is interested in the failure of the other group. This, some sections of the group (preferably with less resources and ability to attain the goal) are particular about the failure of the other group.
- (iv) **Individual Goals vs. Organizational Goals:** Employees join the organizations for personal ends by helping the organization in attaining its goals. The employee does not contribute all his resources to the attainment of organization goals. Moreover, some employees give priority to their individual goals and use their time and resources for personal ends. This practice leads to many conflicts. Then the individuals start politicizing.
- (v) **Group Goals vs. Organizational Goals:** A group of employees of a department may have goals different from those of the organization. Likewise all the group/departments may have goals different from those of the organization. Since the department/groups are interested in attaining their goals, conflicts between group goals and organization goals will arise which will provide a rule for politicking by group/departments.

13.10.3 Techniques of Organizational Politics

Employees use different techniques in the process of organizational politicking. Some principles used for the same include the following:

- Information Hiding: Employees who resort to politicking hide the information needed by other employees pursuing the same goal.
- Push up: Employees elevate their leaders/colleagues to the level above their ability.
- Pushing down: Superiors undervalue their sub-ordinates in the process of organizational politics.
- Pulling up: Superiors overvalue the sub-ordinates in the process of Organizational politics.
- Pulling down: Employees resorting to organizational politics disobey orders of their superiors.

Employees use some other techniques also, depending upon the situation.

13.10.4 Effects of organisation politics

Organizational politics are prevalent in most of the organizations at present. They may grow in future due to lack of value, openness, accommodating nature etc. But organizational politics results in increase in interpersonal conflict, inter-group conflict, and wastage of human resource as employees spend their resources in politicking rather than contributing to the organization. Further, it also affects the other contributions to the organization. It affects the morale of the sincere, committed and able human resources. Finally, it also affects organizational performance and efficiency.

13.11 EXIT POLICY AND PRACTICE

The new economic policy 1991 brought significant changes in industrial and business sector. One of the important aspects of the new economic policy is the Exit Policy.

13.11.1 Meaning

Exit Policy refers to the policy and action program of retrenching the surplus human resources resulting from restructuring, modernizing, reducing the activities, closure of a part or total unit, adopting new technology or new methods of operations, redesigning and reallocating the jobs in an industrial or business organization.

Government's policy before 1991 and its consequences

Government specified its policy regarding employment before 1991, in various industrial places. One of the objectives of government in establishing and developing public sector was to create or generate employment opportunities. The government aimed at solving the unemployment problem by encouraging the small, tiny cottage industry. Further, government used to appreciate the large-scale private sector industry, if it was employment-oriented. The huge

size and ever growing population and unemployment problem was the reason for formulating such a policy by the government.

Consequent upon the implementation of the Government policies regarding employment and other practices of the industries, resulted in the surplus human resource and disguised unemployment in industrial units in India. These problems are predominant in public sector compared to that of private sector.

Industrial Dispute Act, 1947 has provision for temporary and permanent reductions in human resources. But, reduction in human resources is very difficult in the absence of viable exit policy and strong trade unions.

13.11.2 Extent of Surplus

The surplus of human resource is of two dimensions viz., (i) surplus of human resource even with the existing level of technology, and (ii) surplus of human resource, if the technology is upgraded.

Indian industrial units employ more numbers of workers compared to that of the foreign organizations with similar nature and level of technology.

Aditya Birla group, for example, employs two workers in Indonesia, three workers in Philippines and Thailand, and seven workers in India to do the same work i.e. processing 100 kilograms of yarn. The cost of labour to process 100 kg. of yarn for the company is Rs. 50 in Indonesia, whereas it is Rs. 700 in case of India.

Use of outdated technology allows the surplus manpower to continue. If the textile industry adopts latest technology, 15 millions in the industry would be out of the job. Around 2.4 million workers working in sick industrial units are found to be surplus. It is estimated that 1.8 million of the 10 million employees in central government including departmentally run undertakings is found to be excess.

Promod Verma's estimates reveal that the surplus manpower with the existing technology would be 13 to 18 lakh people and with the advanced technology would be 15 lakh people. As far as State Road Transport Undertakings is concerned, 50% employees is surplus.

13.11.3 Consequence of Surplus Manpower

It is evident that HR surplus results into some consequences.

- i. Surplus human resource results in high labor cost. Increased labor cost leads to high production cost and high price of the product or service.
- ii. Surplus human resource, high cost of labor and high cost of production reduces the organizations competitive ability.
- iii. Surplus labor and thereby disguised unemployment reduces employee efficiency and labor productivity.
- iv. Surplus labor creates organizational politics.

- v. Surplus human resource poses a threat for technological upgradation. But, technological upgradation is an essential factor in market economics.
- vi. Surplus labor may lead to industrial unrest and poor industrial relations.

Industrial Dispute Act, 1947 has provision for temporary and permanent reductions in human resources. But reduction in human resources is very difficult in the absence of viable exit policy and strong trade unions.

13.11.4 Types of Downsizing

Due to surplus labor, organisations have to take resort to downsizing. However, depending on the precise reasons for downsizing, different strategies are used for this purpose. They are explained in table 13.5.

Condition	Solutions
Bloated, unproductive workforce that resists change and restructuring.	Layoffs: Temporary dismissal of surplus staff for a maximum of 45 days, due to shortage of coal, power, raw material, breakdown of machinery or a natural calamity.
To bring down costs as compensation intensifies or recession strikes industry.	
Technology improvements, automation, and outsourcing offset the benefits of cheap labor.	Retrenchment: Termination of the services of a workman for any reason whatsoever other than a punishment inflicted by way of disciplinary action. However, retrenchment does not mean termination of services of an entire workforce due to closure.
To bring about a change in the age-skill-salary mix of the workforce by hiring fresh and educated workers.	
To discontinue manufacturing of a product, shut down a plant, or shift a new location.	Closure: Shutting down of an industry activity-either at a location or the entire company-due to unavoidable circumstances beyond the control of the employer. Hence, employees are rendered jobless.
A post-51 per cent development, where foreign partners demand rationalization of workforce.	Voluntary Retirement: A generous, tax-free severance payment to persuade employees to retire voluntary. The company can identify the levels, the age-groups, and the units to be covered.

Fig 13.5: Conditions of Downsizing

- **Layoffs:** Layoff is temporary reduction in the workforce due to the inability of the employer to provide work as a result of the shortage of coal, power, raw material, machinery break down or a natural calamity. Employer has to pay 50% of the basic wage to the employees during the layoff period.
- **Retrenchment:** Under the Industrial Dispute Act, 1947, a company has the right to retrench employees for any reason whatsoever - other than disciplinary reasons. Retrenchment procedures are governed by the Last in First Out (LIFO) method. Section 25-G of the Industrial Dispute Act, 1947 states that, an employer should only retrench employees who have

been most recently hired. According to the Act, industrial units employing more than 100 employees require prior government permission for layoffs, retrenchment and closures.

- **Closures:** Courts of law have recognised the employer's fundamental right to close the operations subject to payment of compensation to the affected workers. A closure is legal only if it is due to unavoidable circumstances beyond the control of the employer.

Table 13.6: The Legal Stipulations of Downsizing

Layoff	Voluntary Retirement Scheme	Closure	Retrenchment
<p>Section 25-C of the Industrial Disputes Act, (IDA) 1947, does not confer the right on employers to lay off workers for whatever reasons they deem fit.</p> <p>According to Section 25-M of the IDA, unless the layoff is due to shortage of power or a natural calamity, no workman can be laid off without the prior permission of the labor commissioner</p> <p>For the period of the layoff –up to a maximum of 45 days- workmen will be paid compensation equal to half their basic pay and dearness allowance.</p> <p>If the employer offers alternative employment, it will not be considered a layoff even if the worker does not opt for it.</p> <p>The penalty stipulated for not complying with the provisions of the IDA: month or a fine of up to Rs. 1,000/- or both</p>	<p>Public Sector Undertakings require government permission before implementing the scheme.</p> <p>Companies can offer the option only to employees who are above 40 years of age, or have served with the company for 10 years.</p> <p>Companies retain the right of rejecting the application of the scheme.</p> <p>Income tax benefits for employees who have accepted the scheme are, however, valid only for payouts of up to Rs. 5 lakh.</p>	<p>Financial difficulties, accumulation of stock, expiry of license or lease, and exhaustion of natural resources are not considered valid reasons for closure, as these are avoidable circumstances within the control of the employer.</p> <p>Government permission is required at least 90 days before the intended closure. However, if there is no response within 60 days, permission is deemed to have been granted.</p> <p>Every worker is to be compensated with 15 days' average pay for every year of service completed. However, if the closure is for reason beyond the control of the employer, a maximum of three months' average pay is given.</p>	<p>No worker employed in any industry, who has been in continuous services for more than one year, can be retrenched until prior permission from the government to retrench in undertakings employing more than 100 people.</p> <p>If permission is forthcoming, a three-month notice period explaining the reason for retrenchment is mandatory.</p> <p>The employees hired most recently have to be retrenched first (Last In, First Out). And if the company needs people later, preference will be given to those retrenched (First Out, First In).</p> <p>The penalty for not complying with the law; imprisonment for a period of up to one month or a fine of up to Rs. 1,000/- or both.</p>

Notes

- **Voluntary Retirement Scheme:** One of the techniques of trimming the workforce is Voluntary Retirement Scheme (VRS). This is a generous, tax-free severance payment to persuade the employees to voluntarily retire from the company. The scheme originated during early 1990s in U.S.A and is also known as the Golden Handshake. The VRS is the most humane technique for downsizing the workforce.

The voluntary retirement scheme was announced by the government to cover the public sector employees. The scheme was later introduced in private sector industries covering L & T, M & M, Telco etc.

Even though the organisation can choose the downsizing option appropriate for serving its objective, every option comes with some legal implications and limitations. The organisation has to take a stock of the same before undertaking the downsizing activity. These legal aspects are detailed out in table 13.6.

13.11.5 The Challenges of Employees' Exit

Reducing the excess manpower in an organization is not an easy task. There are a number of challenges of this task. They include:

- i. Establish the compulsion of manpower reduction.
- ii. Manage downsizing without disrupting the organization.
- iii. Ensure that employees participate in the decision to downsize.
- iv. Match of focus of manpower reduction to corporate strategy.
- v. Ensure a transparent system for choosing people to be eased out.
- vi. Manage the psychological and social fallout on existing employees.
- vii. Maintain contact and relationships with former employees.
- viii. Prevent the company from being branded anti-people.
- ix. Motivate the employees who will stay with the organization.
- x. Develop a post-downsizing manpower development plan.

13.11.6 Manage Employee Exit

People who contribute significantly to the organizational goals are the organization's assets. These assets are turned into liabilities due to obsolescence of their skills, knowledge and abilities consequent upon the technological upgradation change in the organizational requirements. Added to this, intensifying competition and recession in business create the need for eliminating the non-performing employees or liabilities. Mergers, joint ventures, takeovers also cause reduction of excess manpower. After identifying the excess manpower, prepare for the reduction by identifying the departments with high wage builds and low productivity. Then, initiate the process of reduction of manpower.

13.11.7 National Renewal Fund

National renewal fund was established to help the workers affected by industrial restructuring, modernization or closure of the unit. The objectives of the National Renewal Fund are:

- i. To provide assistance to firms to cover the cost of retaining and redeployment of employees, arising as a result of modernization and technological upgradation of existing capacities and from industrial restructuring.
- ii. To provide funds for compensation to employees affected by restructuring or closure of industrial units, both in the public and private sectors.
- iii. To provide funds for employment generation schemes in the organized and unorganized sectors in order to provide social safety net for labor.

The NRF is administered by the Department of Industrial Development. The NRF was proposed to have a corpus of Rs. 2,000 crores which would be contributed from budgetary support (Rs. 200 crores from the 1991-92 budget, Rs. 1,000 crores from the disinvestment of shares held by the government in public sector units and Rs. 800 crore from the world bank.)

There are two parts in the NRF. The first part is the Employment Generation Fund. This fund provides resources to approved employment schemes in the organized and unorganized sectors. The second part is the National Renewal Grant Fund. This fund provides funds to meet the compensation and training expenditure of retrenched workers.



Check your Progress 4

Match the following.

- | | |
|---------------------------|--|
| i. VRS | a. part time job during off hours |
| ii. HRA | b. Human Resource Accounting involves measurement and evaluation of human resources |
| iii. Exit policy | c. The new economic policy , 1991 brought significant change in industrial & business sector |
| iv. National Renewal Fund | d. To provide funds for employment generation schemes in the organized and unorganized sectors |
| | e. Golden handshake |
| | f. Benefits specialists, employees & industry |



Activity 3

Write down two points as to why employees go in for a VRS. Give examples of four companies where VRS has been implemented successfully.

13.12 FUTURE OF HUMAN RESOURCE MANAGEMENT

Change is the law of nature. It is a necessary way of life in different circles. Though there may be some discontentment during the early days of change, people learn to meet the changes and adapt themselves to the changing situations. The discipline of man-management has also been undergoing certain changes. As employees in an organization resist change, employers resist the changes in man-management. This

discipline has been changed from labor management to personnel management and to Human Resource Management. But, some of the organizations and educational institutes even today regard this as labor management, whereas some advanced organizations and educational institutes started recognizing man as human resource. Thus, three transitory stages are prevalent in India on the change process/development process. In such circumstances, the today's beaten track in advanced nations would be the future of a developing country. If one agrees to this comment, it would be much easier to see the future of personnel management in India. However, the other directions of future personnel management in India has been foreseen and presented in Fig. 13.10.

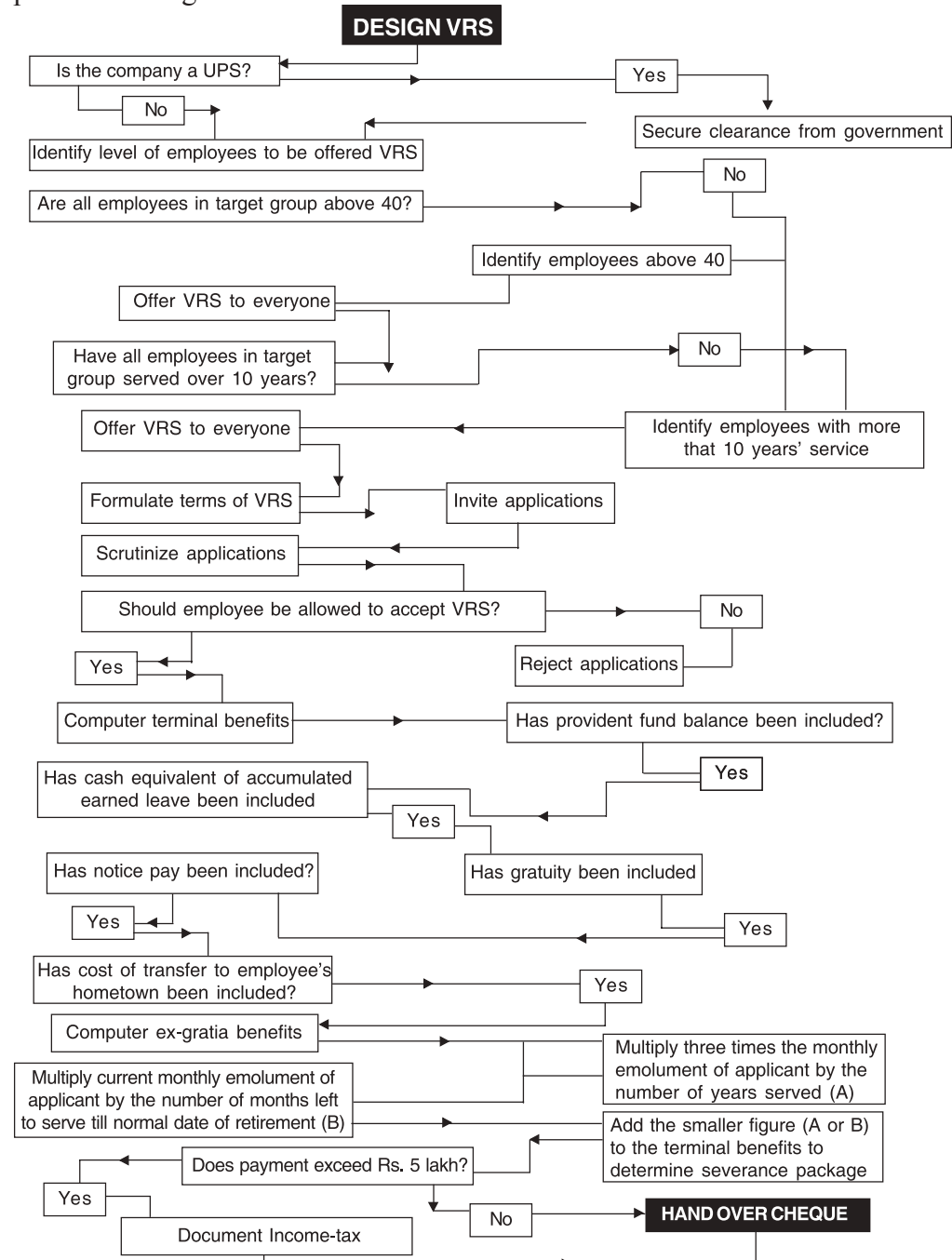


Fig. 13.10

As can be observed from this figure, the emphasis will be shifted to Human Resource Management. The Management in future will try to:

- i. Give up authoritarian style of leadership and adopt participative style of leadership.
- ii. Follow human relations approach and partnership approach towards employees.
- iii. Encourage creative skills and abilities and reward or award those talents.
- iv. Shift the emphasis from legal and rule bounded approach to free humanitarian.
- v. Participate in trade union activities; recognize human resource as a profit centre and as a basic instrument to earn profits rather than as a cost centre.
- vi. Understand the fact that human resource management will dominate all other functional areas of management.
- vii. Allow consumers to participate in collective bargaining so as to protect their interest from the exploitation of both employees and employers.
- viii. Understand that managing director will act as a manager of human resource rather than using personnel manager as a secretary.
- ix. Encourage and support the formation of quality circles.

Further, the role of personnel managers or personnel functions will also change. Those changes will be as follows:

- i. Personnel Manager and individual manager will give emphasis on overall development to the human resource.
- ii. Human Resource Management function will be extended to cover career planning and development, organizational development, organize climate, role analysis, national wage policy, social justice etc.
- iii. Trade union will become part of an organization and management of industries.

The following conditions are essential for the shift in the emphasis from personnel management to human resource management as directed above.

- i. A Personnel Manager should be a change and development agent through his greater involvement in development planning and by adopting the employee to the changing requirement of the industries.
- ii. In view of the increase in formal education of employees, the future personnel policies and procedures should be formulated by considering the needs and aspirations of educated employees.
- iii. In view of the changes in sources in manpower, the personnel policy should take into account the potential availability of talent from different sources in manpower planning.
- iv. Emphasis should be given to training, re-training, mid-career training in view of rapid technological changes.

Notes

- v. Increasing Government role in legislative and non-legislative approach will be considered.
- vi. Greater importance to occupational health, safety program, human problems of adaptability to change should also be considered.



Summary

- Today, competition is very tough and if you want to survive in the race gracefully you have to constantly upgrade your skills and sharpen your capabilities. Many new techniques are implemented in the organizations to motivate the employees and to help them perform to their optimum capacity.
- Some of the recent techniques used these days are employees for lease, moon lighting by employees which includes blue moon, quarter moon lighting, half moon lighting, full moon lighting; consequences and challenges of dual career groups; flexi time and flexi work; training and development; management participation in employees organization; consumer participation in collective bargaining; collaborative management; employees proxy; human resources accounting; organizational politics; exit policy and practice etc.
- By using these and many other programs the organization tries to make the workers and employees more competent, committed and comfortable to do a given job.



Keywords

- **Moon lighting:** The concept of doing additional assignments and part time jobs to supplement the regular income.
- **Exit policy:** The policy and action program of removing the people from their jobs due to some technical problems as restructuring, modernizing, closure of a part or total unit etc.
- **Flexi time:** A program that allows flexible entering and leaving time for the employees in then organization provided they spend the fixed number of hours in the organization.



Self-Assessment Questions

1. What is meant by moon lighting by employees?
2. What is the effect of moon lighting on HRM?
3. Explain the concept of Flexi time and Flexi work. What are its advantages and disadvantages?
4. Explain the concept of Management participation in employees' organizations.
5. What are the benefits of Human Resource accounting?

Answers to Check your Progress

Notes

Check your Progress 1

State True or False.

1. False
2. True

Check your Progress 2

Fill in the blanks.

1. A programme that allows flexible entering and learning (the organisation) times for the employees is known as flexi time.
2. The primary prerequisites for the perfect functioning management participation in trade unions include the existence of well-organized and recognized unions with sound policies.

Check your Progress 3

Multiple Choice Multiple Response.

1. Why was workers participation in management initiated?
 - i. To satisfy workers psychological needs
 - ii. To develop a sense of belongingness
 - iv. To establish industrial peace

Check your Progress 4

Match the following

- i. – e
- ii. – b
- iii. – c
- iv. – d



Suggested Reading

1. Rao T.V.: A Performance of Human Resource Development Function in Indian Organizations
2. Sadananda Prusty: Performance Management System on Develop of Human Resources

Notes

Human Resource Practices in Information Technology Industry

UNIT

14

Structure: 

14.1 Introduction

14.2 Best Practices in Industries

14.3 Knowledge Management

14.3.1 Meaning

14.3.2 Characteristics of Workers in the Knowledge Society

14.3.3 Emergent HR Strategies of a Knowledge Economy

14.4 60 HR Practices in IT

14.5 Challenges in the IT Industry

14.5.1 Challenges due to IT skill requirements

14.5.2 Challenges due to role of IT in organization

14.5.3 Bench time

14.5.4 Issues related to applying Best Practices

Summary

Keywords

Self-Assessment Questions

Answers to Check your Progress

Suggested Reading



Objectives

After going through this unit, you will be able to:

- Identify the human resource practices in the service industry
- Define the role of human resource practices in the success of the organization
- Predict the human resource practices for the future.

14.1 INTRODUCTION

The service industry serves the people directly by providing efficient and quality service to satisfy their various needs. The positive effects of implementing better human resource policies are felt today as never before by everyone concerned. Good human resource practices lead to better productivity, profits and overall prosperity in the organization. Implementing some of the best human resource practices in the organization helps to achieve the organizational, social as well as individual goals.

14.2 BEST PRACTICES IN INDUSTRIES

‘Best practice’ within companies includes adopting a more integrated approach to organizational and technical change; developing a strategic approach to change; ensuring appropriate objectives are set, reviewed and evaluated; considering the way work is organized and jobs designed; using methods which help organizations explicitly incorporate human and organizational factors.

Human resource professionals are re-evaluating their role in the business world. Traditionally perceived as bureaucratic, the field of human resource has been criticized for failing to add direct profits and for failing to contribute strategic direction to companies’ objectives.

Human resource is now assuming a greater role as strategic business partners. They have been forced to redefine their responsibilities and develop a compelling response for critics who dispute human resource’s value to the bottom-line.

Companies have developed three directional changes originating from this criticism against human resources. These changes include reengineering human resource as business partners, changing human resource to a consultant status or eliminating human resource departments completely through a combination of line managers and outsourcing.

These changes are all based on the assumption that human resource functions need to be closely aligned with business objectives. Human resource needs to assist companies in becoming competitive by developing the workforce, business objectives and long-range strategies to ensure profitability.

Traditionally, the role of the Human Resource professional in many organizations has been to serve as the systematizing, policing arm of executive management. In this role, the HR professional served executive agendas well, but was frequently viewed as a roadblock by much of the rest of the organization. While some need for this role occasionally remains, much of the HR role is transforming itself.

The role of the HR manager must parallel to the needs of his changing organization. Successful organizations are becoming more adaptable, resilient, quick to change direction, and customer-centered. Within this environment, the HR professional, who is considered necessary by line managers, is a strategic partner, an employee sponsor or advocate and a change mentor.

1. **Strategic Partner:** In today's organizations, to guarantee their viability and ability to contribute, HR managers need to think of themselves as strategic partners. In this role, the HR person contributes to the development of and the accomplishment of the organization-wide business plan and objectives. The HR business objectives are established to support the attainment of the overall plan and objectives. The tactical HR representative is deeply knowledgeable about the design of work systems in which people succeed and contribute. This strategic partnership impacts HR services such as the design of work positions.

Hiring nowadays is one huge task that the HR manager does. Along with the qualifications and the other criteria for selection, the main area of focus today is the competency level of the candidate taking up the job responsibility, which plays an integral part in knowing if the candidate will be able to perform the given task with his competency level and expertise. The reward and recognition schemes, which have been introduced now a days in companies, have a very positive impact on the individual. This includes rewards in the monetary and non-monetary systems. Positive strokes can be given to an employee by the non-monetary reward system, which includes many things, e.g. being the employee of the month/quarter and a dinner for two at any restaurant in the city or a personalized gift given by the company as a token of the efforts put by an employee for a specific target. These small gestures definitely make an impact on the employee.

Strategic pay is another example of the major role of HR in the entire compensation package given to the employee. Nowadays performance pay is the one most crucial pay given to the employee and also shown in the pay structure. As per his skill level and expertise, he is given performance pay as a part of his joining the company.

Performance development plan is set for the employee by his immediate boss or as per his reporting structure. Informal and formal discussions take place so that the employee and the immediate boss are on the same understanding of the employee's performance and in cases where his development is to be done, the same is recorded and tracked for further

training or any such development activities. The appraisal systems are more scientific in the organizations, as each individual will have an individual score card where the employee can analyze his performance against factors, which include his role, responsibility, criticality of his role, team abilities, personal traits, knowledge sharing and competency enhanced, self learning etc.

Career and succession planning, is one area where the employee is given 100% attention to what would be his career growth in the company. He can have career discussions, which could be vertical, as in the same area to grow upwards or he also has a choice of moving laterally and join some other team which are of different skills set and then with some amount of training and development the employee gains the functional ability to work in the new area chosen. Every employee also has a succession plan to him, which is also known as shadow planning, in which the employee knows his successor and then is aware of the criticality of the position.

Employee development plays an integral part in a company today. The main focus of attention today is the employee. The employee has to be motivated and kept satisfied at all times in his stay in the company, so that the individual and the company grow mutually, which is beneficial for both.

2. **Employee Advocate:** As an employee sponsor or advocate, the HR manager plays an integral role in organizational success via his knowledge about and advocacy of people. This advocacy includes expertise in how to create a work environment in which people will choose to be motivated and happy. A work environment has to be created, which is very employee-conducive and which encourages the employee to grow and perform to the maximum. Effective methods of goal setting that would include clearly defined roles and responsibilities are fostered and roles and responsibilities are measured quantifiably by the end of the year as a part of the appraisal system. Communication is one of the most effective mediums by which the employee gains information about the happenings in the organization and includes many channels such as meetings, open houses, employee day and empowerment through responsibility, build employee ownership of the enterprise.

The HR professional helps establish the organizational culture and climate in which people have the competency, concern and commitment to serve customers well. In this role, the HR manager provides employee development opportunities, employee assistance programs, gain sharing and profit-sharing strategies, organization development interventions, due process approaches to problem solving, and regularly scheduled communication opportunities.

3. **Change Champion:** The constant evaluation of the effectiveness of the organization results in the need for the HR professional to frequently champion change. Both knowledge about and the ability to execute

successful change strategies make the HR professional exceptionally valued. Knowing how to link change to the strategic needs of the organization will minimize employee dissatisfaction and resistance to change. The HR professional contributes to the organization by constantly assessing the effectiveness of the HR function. He also sponsors change in other departments and in work practices. To promote the overall success of his organization, he champions the identification of the organizational mission, vision, values, goals and action plans. Finally, he helps determine the measures that will tell his organization how well it is succeeding in all of this.

Example: Research conducted by Hewitt Associates

A comprehensive ‘IT Industry Human Resource Assessment,’ conducted by global management consulting and outsourcing firm, Hewitt Associates, found that in majority IT companies, new hires came as a result of internal referrals. Additionally, a formal development and learning needs analysis system was found to be in place among most high-tech firms. Furthermore, a large proportion of the IT Industry in India reportedly provides formal career path and development processes for their employees.

“The review found that, overall, the management philosophy of high-tech organizations emphasize attracting, retaining and motivating the best available talent,” said Mr Nishchae Suri, Hewitt, Business Head for the Measurement Practice (India and Middle East). “As a result, the management teams are generally open, accessible, and support the career development of their employees. This was further supported by, and reflected in, particular practices and policies with regard to orientation, the work environment, rewards and recognition, and health and well-being.”

According to the Hewitt research, trends in pay structures in the IT industry indicated that most companies provide employees with cash-heavy compensation packages. As a result of this type of pay package, benefits such as housing and vehicle loans are not very prevalent in this industry. A significant majority of the organizations studied offer their employees a flexible compensation package, despite the administrative work involved. Such a structure gives employees the option of maximizing their tax-advantage to suit the demands of their individual lifestyles. The study also showed that variable pay ranges from 5 percent to 10 percent of total Cost To Company among technical professionals in the industry. Support functions such as finance and administration receive variable pay that constitutes 5 percent to 9 percent of their total Cost To Company.

Notes



Check your Progress 1

Fill in the blanks.

1. Human resource professionals are _____ their role in the business world.
2. A significant majority of the organizations studied offer their employees a flexible compensation package, despite the _____ work involved.
3. The HR professional helps establish the organizational culture and climate in which people have the _____, concern and commitment to serve customers well.
4. _____ development plays an integral part in a company today.
5. In today's organizations, to guarantee their viability and ability to contribute, HR managers need to think of themselves as _____ partners.



Activity 1

According to you, what will be the new role of HR professionals in the days to come?

14.3 KNOWLEDGE MANAGEMENT

Knowledge management caters to the critical issues of organizational adaptation, survival and competence in face of increasingly discontinuous environmental change. Essentially, it embodies an organizational process that seeks synergistic combinations of data and information processing capacity of information technologies and the creative and innovative capacity of human beings.

14.3.1 Meaning

Knowledge management refers to the process of data - collection, converting it into information, weeding out the inessential and storing the required information for retrieval and use.

High levels of uncertainty and inability to predict the future characterize the new world of businesses. Use of the information and control system and compliance with predefined goals, objectives and best practices may not necessarily achieve long-term organizational competence. This is the world of 're-everything', which challenges the assumptions underlying the 'accepted way of doing things'. This world needs the capability to understand the problems afresh, given the changing environmental conditions. The focus is not only on

flinging the right answers but also on finding the right question. This world is contrasted from the 'old world' by its emphasis on 'doing the right things' rather than 'doing things right'. This concept embodies a transition from the recently popular concept of 'information value chain' to a 'knowledge value chain'. What is the difference? The information value chain considers technological systems as key components guiding the organization's business process, while treating humans as relatively passive processors that implement 'best practices' archived in information databases. In contrast, the knowledge value chain treats human systems as key components that engage in continuous assessment of information archived in the technological systems. In this view, the human actors do not implement best practices without active inquiry. Human actors engage in an active process of sense-making to continuously assess the effectiveness of 'best practices'. The underlying premise is that 'best practices' of yesterday may not be taken for granted as 'best practices' of today or tomorrow. Hence, double loop learning, unlearning and relearning process need to be designed into the organizational business process. Knowledge management facilitates continuous and ongoing process of learning and unlearning, thus ensuring that need for imposing top-down 'radical change' may be minimized.

14.3.2 Characteristics of Workers in the Knowledge Society

- Understand changing business contexts quickly
- Apply new technologies to their business contexts.
- Judge if the organization's 'best practices' are aligned with the dynamics of the business environment.
- Delegate 'programmable' tasks to technologies so that they can focus on creative, innovative and value additive tasks

Given the need for autonomy in learning and decision-making, such knowledge workers would also need to be comfortable with self-control and self-learning; in other words, they would need to act in an entrepreneurial way that involves a higher degree of responsibility and authority as well as capability and intelligence for handling both.

Knowledge is one of the key resources for growth in the global economy. Knowledge, together with the Information and Communication Technology (ICT), provides many opportunities for promoting sustainable economic growth in many countries, as the generation of technical knowledge has positive impact on productivity growth. The rapid developments of ICT and transformation to a knowledge-based economy have created robust demand for workers highly skilled in the development and use of ICT. A well-trained workforce is essential to the efficient acquisition, utilization, creation and dissemination of relevant knowledge and skills that tend to increase productivity and economic growth. Since education is a fundamental key to wealth creation and competitiveness in the global knowledge economy, education and training providers play a pivotal role in supporting all members of our society to adjust to the new environment and thereby contribute to the development of a vibrant knowledge-based economy.

Companies like IBM are 'knowledge creating companies'. They did not create knowledge for its own sake, but rather to develop new products or improve existing ones. Their crucibles were large-scale industrial research laboratories.

14.3.3 Emergent HR Strategies of a Knowledge Economy

A strategy for the big corporation is to do less basic research and to rely on smaller companies and universities instead. This required the integration of universities into the knowledge game. They would, in effect, become the large-scale laboratories that the big corporate players needed in the knowledge economy.

E-learning is another strategy, where the technologies have introduced learning in fundamentally new ways. Learning opportunities are at fingertips or perhaps only a thought away. Intelligent systems discern knowledge needs from one's work and play and offer learning opportunities proactively. The result - an overall acceleration of the accumulation of knowledge. Knowledge is converging and accelerating learning is increasingly attractive to business because it cuts down on travel time and costs and can be made available to workers around the clock, at work and at home.

Technology is the cornerstone for the entire economy and the combination of technology and education is its foundation. The information technology revolution is in progress worldwide in communication, business and commerce, education and one's personal life.

Taken together, these advances in technology and knowledge generation have radically transformed the economy wherein growth, jobs and the competitive edge go to those nations, those region, those communities, those companies and those individuals that most quickly and most effectively generate, capture, manage and apply knowledge. In this kind of knowledge economy, people are at the heart of the process and as new technologies reshape our world, people are to reshape and renew their base of knowledge and skills.

The "learning any place, any time" way of thinking is beginning to foster change in the adult education and worker-training arena. Human resource professionals are confronting this challenge by using technology to foster change throughout the entire continuum of learning, both formal and informal. Today internationally, learning one's way up rather than earning one's way up is the crucial way of remaining employed for life long.

Rapid knowledge obsolescence: The exponential growth of knowledge and the rapid change of science and technology is another global trend. Knowledge is doubling every 7-10 years. The resultant relatively rapid obsolescence of knowledge and skills has implications for HRD. The shelf life of educational degrees was estimated as follows:

- 1 year for computer science
- 2 years for electrical engineering
- 3 years for accounting and general medical practice

- 4 years for business
- 5 years for civil engineering and biotechnology
- 10 years for dentistry and surgery
- 15 years for architecture

All the education experts contacted agreed that the undergraduate degree provided the essential ‘intellectual capital’ on which to build future learning. The rapid rate of accumulation of new knowledge and the fast pace of technological change means a need for regular knowledge updating and skills upgrading. More frequent job changes have become the norm. Continuing education and training programs are to be developed by not only education and training institutions but also professional bodies.

Features of interrelationship between technology and knowledge management

1. Mass customization concept to education where the private sector will play a leading role in developing these innovations
2. Technical standards to help guide the development of content that will be drawn from countless sources throughout the world
3. Instead of creating one size fits all curricula, the ability to store, re-use and reconfigure slices of knowledge to create personalized learning content, with assessment of learner progress
4. New systems of assessment, coupled with new forms of certification and credentialing tied to personalize learning are being developed. These systems are based on competency — what people know and are able to do — rather than measuring how long someone spent in the classroom or what courses they completed.
5. Competency-based approaches are becoming a great equalizing force and underpin a system of true merit, opening more doors for people based on competency only.

Basic knowledge and skills being used in the knowledge economy:

- 1) Communication and collaborative problem-solving through utilizing combined efforts of knowledgeable team members.
- 2) Inventive thinking that is innovative and cost effective.
- 3) The ability for self-directed learning with minimum reliance on people so as to cut costs of additional manpower.
- 4) Technology literacy is essential since digitalization in the information age is the chief manner in which business is carried out globally.
- 5) Knowledge of how to locate information, assess it for pertinence and accuracy, analyze it, synthesize it and apply it to the job at hand.

In conclusion, it can be stated that knowledge workers are not subordinate; they are ‘associates’. This is the crux of this new knowledge era.



Check your Progress 2

State True or False.

1. Knowledge is not one of the key resources for growth in the global economy.
2. The exponential growth of knowledge and the rapid change of science and technology is another global trend
3. Technology is not the cornerstone for the entire economy and the combination of technology and education is its foundation.
4. E-learning is another strategy, where the technologies have introduced learning in fundamentally new ways.
5. Today internationally, earning one's way up rather than learning one's way up is the crucial way of remaining employed for life long.



Activity 2

Name any organisation where the concept of knowledge management is used.

14.4 60 HR PRACTICES IN IT

Floyd Kemske is a well-known author on HR, who has also written novels on HR situations. He has listed 10 predictions each of HR practices under 6 different heads. These are applicable especially to the IT sector and are listed below.

1. Workplace Flexibility

- a. Collaborative cultures will be the workplace model.
- b. Creative employment contracts will support more time off, flexibility in hours and work location, technological job aids and more pay at risk with significant upside potential.
- c. Company intranets will become a major tool for communication, training and benefits administration; HR will play a leading role in developing this important tool.
- d. Intelligence through knowledge transfer capability will separate the best employees from the rest.
- e. Employees will have more and more choices about work arrangements, allowing them to meet their individual needs.
- f. Work hours scheduling will become less important as organizations focus on performance and results.

- g. Company facilities will become 'virtual' through work-at-home, telecommuting and outsourcing.
- h. The workweek will be less structured - employees will still work 40-plus hours, but at varied times and places other than the office.
- i. Legislation will lead to greater portability of health, welfare and retirement benefits.
- j. Free-lance teams of generic problem solvers will market themselves as alternatives to permanent workers or individual teams.

2. Global Business

- a. The role of corporate HR will change to that of creator of overall values and direction, and will be implemented by local HR departments in different countries.
- b. Technology, especially the Internet, will enable more businesses to enter the global marketplace.
- c. HR professionals will have advanced acumen in international business practices, international labor laws, multicultural sensitivities and multiple languages.
- d. HR professionals will need to be knowledgeable of other cultures, languages and business practices to help their companies find and enter more markets.
- e. HR people will have to understand other cultures and help people work with, and transfer among, various cultures.
- f. Mega global business alliances will grow in number and scope, requiring great finesse on the part of the HR professional.
- g. There will be an explosive growth of companies doing business across borders, and it will be the most significant change for the economy in modern times.
- h. Cultural understanding and sensitivity will become much more important for the
HR professional of the future, whereas multiple language ability will not be a necessary competency.
- i. The continued emergence of a world marketplace will require development of an international workforce.
- j. Small teams of HR professionals will focus on providing performance improvement consulting services to a variety of locations around the world.

3. Work and Society

- a. Family and life interests will play a more prevalent role in people's lives and a greater factor in people's choices about work - there will be more of a 'work to live' than a 'live to work' mentality.

- b. Employees will demand increase in workplace flexibility to pursue life interests.
- c. Dual-career couples will refuse to make the sacrifices required today in their family lives and more people (not just women) will opt out of traditional careers.
- d. Families will return to the center of society; work will serve as a source of cultural connections and peripheral friendships.
- e. Workers will continue to struggle with their need for work/life balance, and it will get worse.
- f. Integration of work with quality-of-life initiatives will create solutions to problems formerly seen as the responsibility of government.
- g. Community involvement and social responsibility will become part of an organization's business vision.
- h. 'Cocooning' will become more popular as workers look to their homes for refuge from the pressures of a more competitive workplace and depersonalized society.
- i. Just as defined-contribution plans have begun to take over from Social Security, companies will take on responsibility for elder care, long-term care and other social needs through cafeteria-style benefits programs.
- j. Those people who refuse or are unable to adapt to new technologies will find they are working harder and accomplishing less.

4. Workforce Development

- a. Lifelong learning will be a requirement.
- b. The focus of training/learning activities will be on performance improvement and not just on skill building.
- c. Employees with varied skills and competencies will be valued more highly than those with a depth of expertise in a single area.
- d. Problem solving and decision-making will become a required curriculum with practical work problems as the training medium.
- e. Training will be delivered 'just in time,' wherever people need it, using a variety of technologies.
- f. Companies will demand constant personal growth and employees will respond positively to higher expectations.
- g. It will not be possible to survive in the workplace without basic computer skills.
- h. People who can learn new skills/competencies quickly will be highly valued in a faster changing world.

- i. Team projects and special assignments will be a major factor in personal development.
- j. As the computer-savvy generation is more assimilated into the workforce, employees will become much more productive in complex tasks and less dependent on other people and departments.

5. Definition of Jobs

- a) Organizations will not pay for the value of the job but for the value of the person.
- b) Versatility will be the key factor in determining employee value with strategic thinking, leadership, problem solving, technology and people skills close behind.
- c) Compensation systems will be linked to business outcomes.
- d) All jobs will require higher levels of computer skills.
- e) Positions will be organized in teams focused on a task, not organized around a hierarchy.
- f) Positions will be defined by the competencies needed to be exhibited.
- g) Employees will be more independent, moving from project to project within their organizations.
- h) Many jobs will be redesigned to be much broader in scope, especially in management positions, resulting in leaner head counts.
- i) Employees will be increasingly measured by how much value they contribute to the business, not by whether they fulfilled predetermined objectives.
- j) Work will be more challenging and jobs will become increasingly complex.

6. Strategic Role of HR

- a) Successful HR departments will focus on organizational performance.
- b) HR's value will be to have the right people ready at the right time: recruiting leaders to join the company's mix of talent and keeping the 'bench' full of enabled, competent workers.
- c) The focus of the HR function will be human capital development and organizational productivity; HR may be renamed to reflect this.
- d) HR will evolve from strategic business partnership to strategic business leadership (driving change and results, not just monitoring them).
- e) A key HR role in the future will be multidisciplinary regarding individual, team, business unit and corporate performance.
- f) Managers will grow to depend more and more on HR professionals as they realize that good people management can be the strategic advantage in the next decade.

Notes

- g) Leading change will become HR's greatest contribution to the corporation.
- h) More and more businesses will use HR as a strategic partner.
- i) HR will have a 'seat at the table' as part of the top management team and report directly to the CEO in most companies.
- j) A key HR role will be managing increasingly scarce human and intellectual capital.



Check your Progress 3

Multiple Choice Multiple Response.

1. Workforce development involves
 - i. Lifelong learning will be a requirement
 - ii. Employees with varied skills and competencies will be valued more highly than those with a depth of expertise in a single area.
 - iii. Team projects and special assignments will be a major factor in personal development.
 - iv. It will not be possible to survive in the workplace without basic computer skills.
2. Work and society practices means
 - i. Employees will demand increases in workplace flexibility to pursue life interests.
 - ii. Workers will continue to struggle with their need for work/life balance, and it will get worse.
 - iii. Community involvement and social responsibility will not be a part of organization's business vision.
 - iv. Those people who refuse or are unable to adapt to new technologies will find they are working harder and accomplishing less.
3. Workplace flexibility means
 - i. Legislation will not lead to greater portability of health, welfare and retirement benefits.
 - ii. Collaborative cultures will be the workplace model.
 - iii. Intelligence through knowledge transfer capability will separate the best employees from the rest.
 - iv. Work hours scheduling will become less important as organizations focus on performance and results.



Check your Progress 3

Multiple Choice Multiple Response.

4. Definition of job practices means
 - i. All jobs will require higher levels of computer skills.
 - ii. Compensation systems will not be linked to business outcomes.
 - iii. Work will be more challenging and jobs will become increasingly complex.
 - iv. Positions will be defined by the competencies needed to be performed.
5. Strategic role of HR means
 - i. Successful HR departments will not focus on organizational performance.
 - ii. Leading change will become HR's greatest contribution to the corporation.
 - iii. More and more businesses will use HR as a strategic partner.
 - iv. More and more businesses will use HR as a strategic partner.



Activity 3

What according to you will be the changes in the HR practices in ten years from now?

14.5 CHALLENGES IN THE IT INDUSTRY

The nature of IT work requires a high degree of flexibility and adaptability on the part of IT personnel. IT work may be performed alone in isolation or in teams that may be collocated or virtual. IT work can be distributed and interdependent, often requiring coordination among multiple experts. Workloads may be punctuated by intense bursts of activity. The work must be performed unceasingly without error (high machine uptime, bug-free code) despite frequent changes brought on by a variety of factors such as technological innovation and customer demands. The best supervisors address this set of challenges through boundary spanning, effective performance management practices and employee involvement. Boundary spanning can be useful in anticipating and managing work demands from IT clients. Performance management is essential for ensuring that IT workers understand their work priorities and have the tools to address these priorities. Through employee involvement, the IT supervisor gives employees the opportunity to have a voice and to develop personal investment in completing work tasks.

Notes

Managing distributed interdependent work that requires multiple experts is further accomplished through attention to training and development as well as good relationship- building practices.

The elements of IT work are its 24-hour nature, the need to respond to emergent issues and unplanned requests, and sporadic periods of intense work activity. For this, the IT supervisor must attend to the stress management and the work-family balance. Because of the efforts taken by the IT supervisor, the employees are willing to put forth extra effort as required because they know the supervisor will reciprocate (e.g. with time off) during periods of lower demand.

14.5.1 Challenges due to IT skill requirements

A second set of challenges concerns IT skill requirements. IT professionals must engage in continuous learning to prevent technical obsolescence (Rajeswari & Anantharaman, 2003). It is not unusual for IT workers to have greater technical knowledge than those who supervise them. The high-performing IT supervisor generally manages the need for skill development through performance management practices, training and development, and mentoring. The need for continuous technical skill updating also is addressed experientially through employee involvement. IT workers also must be able to work well with supervisors and others throughout the organization, though they do not share their technical training and background. They must be flexible and capable of adapting to organizational needs. This need for adaptability and coordination requires IT workers to simultaneously update their interpersonal skills along with their technical skills. Thus, relationship building is essential, and high-performing IT supervisors demonstrate effective interpersonal skills in their own relationships with IT subordinates

14.5.2 Challenges due to role of IT in organization

A final set of IT challenges concerns IT's role in the organization. As a support function, IT often is unappreciated by other departments. Nonetheless, IT often is responsible for integrating all other organizational functions. High-performing IT supervisors meet both of these challenges through employee involvement practices within the IT function, by building and sustaining effective relationships with their own personnel, and by managing the associated stressors. In addition, IT professionals are prepared for their roles through effective performance management practices as well as training and development.

14.5.3 Bench time

Bench time is also one of the challenges faced by the IT companies; it means the 'non-billable time'.

Analysts and consultants use this term to refer to the time period when they are not working on a client-specific project or assignment, and as such not producing revenue. Technology consultants might offer their customers a subscription maintenance plan to optimize "bench time." In this way, they are able to stabilize their cash flow and ride out the inevitable highs and lows of consulting.

Consultants might also use bench time to learn a new skill or programming language in order to broaden their scope of work and reduce future bench time. In project management, bench time occurs as a result of low margin projects, ineffective allocation and management of resources or unexpected delays. However, this can be more difficult to manage in large IT consulting firms. These firms may manage domestic and overseas clients and have a number of concurrent projects. If clients reduce their IT budget, consultants may go on the bench once they have completed an assignment. In this case, bench time is not due to an ineffective allocation of resources but a change in financial allocation by the client.

In response to this, some companies utilize a modified Activities Based Costing model. In this business model, activities (rather than projects) are managed. Rather than having consultants move from one project to another, the organization will slice their pipeline of projects into activities. For example, common project activities such as user interface development and communication networking are managed rather than the individual project. In this way, people would be assigned to the activity, not the project, which helps to control costs and revenues.

In businesses where revenues are not dependent on product sales, such as legal, consulting and engineering, organizations strive for minimal bench time. In these organizations, time and expenses are carefully tracked and billed to clients. In order to be sustainable, resources must be maximally utilized on billable time and activities.

14.5.4 Issues related to applying Best Practices

Some of the practices might present special challenges for IT supervisors. For example, supervisors who help employees balance work and family demands by providing accommodations on a case-by-case basis need to ensure that perceptions of unfairness and favoritism do not develop among employees. This type of breach of trust would have negative implications for relationship building. In addition, it is not feasible for a supervisor to simultaneously employ all the best practices. High- performing supervisors are skilled at assessing situations and at bringing the appropriate practices to bear. It is noteworthy that each IT challenge is addressed through a combination, rather than just one, of these practices.



Summary

- The service industry serves the people directly by providing efficient and quality service to satisfy their various needs. The positive effects of implementing better human resource policies are felt today as never before by everyone concerned.
- ‘Best practice’ within companies includes adopting a more integrated approach to organizational and technical change; developing a strategic approach to change; ensuring appropriate objectives are set, reviewed

and evaluated; considering the way work is organized and jobs designed; using methods which help organizations explicitly incorporate human and organizational factors.

- Knowledge management caters to the critical issues of organizational adaptation, survival and competence in face of increasingly discontinuous environmental change.
- Technology is the cornerstone for the entire economy and the combination of technology and education is its foundation. The information technology revolution is in progress worldwide in communication, business and commerce, education and one's personal life.
- Taken together, these advances in technology and knowledge generation have radically transformed the economy wherein growth, jobs and the competitive edge go to those nations, those region, those communities, those companies and those individuals that most quickly and most effectively generate, capture, manage and apply knowledge.
- Floyd Kemske has listed 10 predictions each of HR practices under 6 different heads. These are applicable especially to the IT sector.
- The nature of IT work requires a high degree of flexibility and adaptability on the part of IT personnel.
- One set of challenges concerns IT skill requirements. IT professionals must engage in continuous learning to prevent technical obsolescence.
- Another set of IT challenges concerns IT's role in the organization. As a support function, IT often is unappreciated by other departments. Nonetheless, IT often is responsible for integrating all other organizational functions.
- Bench time is also one of the challenges faced by the IT companies; it means the 'non-billable time'.



Keywords

- **Knowledge Management:** It is an organizational process that combines data and information processing capacity of information technologies and the creative and innovative capacity of human beings. Knowledge management refers to the process of data-collection, converting it into information, weeding out the inessential and storing the required information for retrieval and use.
- **Compensation:** It is providing monetary value to employees in exchange for work performed.



Self-Assessment Questions

1. What are the best practices followed in the service industry?
2. Write down your views on the work place flexibility that will be adopted in future.
3. What would be the strategic role of HR in IT sector in the days to come?
4. Write a short note on workforce development in IT.

Answers to Check your Progress

Check your Progress 1

Fill in the blanks.

1. Human resource professionals are re-evaluating their role in the business world.
2. A significant majority of the organizations studied offer their employees a flexible compensation package, despite the administrative work involved.
3. The HR professional helps establish the organizational culture and climate in which people have the competency, concern and commitment to serve customers well.
4. Employee development plays an integral part in a company today.
5. In today's organizations, to guarantee their viability and ability to contribute, HR managers need to think of themselves as strategic partners.

Check your Progress 2

State True or False.

1. False
2. True
3. False
4. True
5. False

Check your Progress 3

Multiple Choice Multiple Response.

1. Workforce development involves
 - i. Lifelong learning will be a requirement
 - ii. Employees with varied skills and competencies will be valued more highly than those with a depth of expertise in a single area.

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- iii. Team projects and special assignments will be a major factor in personal development.
- 2. Work and society practices means
 - i. Employees will demand increases in workplace flexibility to pursue life interests.
 - ii. Workers will continue to struggle with their need for work/life balance, and it will get worse.
 - iv. Those people who refuse or are unable to adapt to new technologies will find they are working harder and accomplishing less.
- 3. Workplace flexibility means
 - ii. Collaborative cultures will be the workplace model.
 - iii. Intelligence through knowledge transfer capability will separate the best employees from the rest.
 - iv. Work hours scheduling will become less important as organizations focus on performance and results.
- 4. Definition of job practices means
 - i. All jobs will require higher levels of computer skills.
 - iii. Work will be more challenging and jobs will become increasingly complex.
 - iv. Positions will be defined by the competencies needed to be performed.
- 5. Strategic role of HR means
 - ii. Leading change will become HR's greatest contribution to the corporation.
 - iii. More and more businesses will use HR as a strategic partner.
 - iv. More and more businesses will use HR as a strategic partner.



Suggested Reading

- 1. Ghanekar, Anjali. *Human Resource Management*.
- 2. Ulrich, Dave. *Human Resource Champions*.

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