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Master of Business Administration
(MBA)

HUMAN RESOURCE AND
ORGANIZATIONAL BEHAVIOUR
Semester-I

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Learning out comes

Students will be able to understand:

Unit-1

- Understand the role of human resources in achieving strategic objectives, fostering employee engagement, and enhancing organizational performance.
- Define human resource management (HRM) as the process of managing human capital to achieve organizational goals effectively and efficiently.
- Understand the legal and ethical obligations of HR managers in ensuring compliance with labor laws, equal employment opportunities, and workplace health and safety regulations.

Unit-2

- Define human resources planning as the process of forecasting an organization's future human resource needs and developing strategies to meet those needs.
- Understand how HR planning helps organizations anticipate and respond to changes in the business environment, technology, workforce demographics, and labor market conditions.

Unit-3

- Define performance appraisal as the systematic process of assessing employees' job performance and providing feedback for development and rewards.
- Understand the strengths, limitations, and applicability of each method in different organizational contexts and job roles.

Unit-4

- Trace the historical development of organizational behaviour attitudes from early theories to contemporary approaches.
- Identify the role of personality and values in shaping individual behavior, attitudes, and work outcomes within organizations.

Unit-5

- Differentiate between groups and teams, recognizing the characteristics and purposes of each.
- Identify strategies and techniques for building cohesive and high-performing teams, such as goal setting, role clarification, trust building, and conflict resolution.
- Understand the complementary nature of leadership and management in achieving organizational goals and objectives.

SYLLABUS

HUMAN RESOURCE AND ORGANIZATIONAL BEHAVIOUR

UNIT I

HUMAN RESOURCE MANAGEMENT: FUNCTIONS & ROLE

Introduction, Meaning of Human Resources, Meaning & Definition of Human Resource Management, Importance of Human Resource Management, Objectives of Human Resource Management, Functions of Human Resource Management, Role of a Human Resource Manager, Qualifications and qualities of Human Resource Manager, Duties and Responsibilities of Human Resource Manager, Evolution & Development of Human Resource Management, Recent Developments in Human Resource Management

UNIT II

PROCESS OF HUMAN RESOURCE PLANNING

Introduction, Meaning and Objectives of Human Resources Planning, Importance of Human Resource Planning, Benefits of Human Resource Planning, Process of Human Resource Planning, Problems in Human Resources Planning, Recruitment, Selection, Selection Methods, Job Description, Job Specification, Tests used for selection of candidates, Placement, Introduction to Induction Programme, Objectives of Induction, Training, Importance and benefits of Training, Training Need Identification, Methods of Training, Advantages of Training, Training Evaluation, Recent Trends in Training.

UNIT III

PERFORMANCE AND COMPENSATION MANAGEMENT

Introduction, Meaning, Need and Objectives, Performance Appraisal, Methods of Performance Appraisal, Uses of Performance Appraisal, Limitations and Challenges of Performance Management, Compensation, Definitions and Concepts, Objectives of Compensation Management, Principles and Techniques of Wage Fixation, Meaning/Definitions of Job Evaluation, Job Evaluation Methods/ Techniques, Problems of Job Evaluation, Merit Rating, Wage Incentives, Bonus

UNIT IV

ORGANIZATIONAL BEHAVIOUR

Introduction, Definitions of Organizational Behaviour, Significance of Organizational Behaviour, Evolution of OB, Attitudes, Personality and Values, Perception, Motivation, Foundation of Group Behaviour, Group vs. Teams, Team Building, Managing Teams, Introduction to the term leader, Leader VS Manager, Leadership styles, Leadership skills

UNIT V

ORGANIZATION SYSTEM AND MANAGING CHANGE

Introduction, Approaches to Organizational Culture, how to get employees to follow the culture, Organizational Change, Implementing Organizational Change

HUMAN RESOURCE MANAGEMENT: FUNCTIONS & ROLE

STRUCTURE

- 1.1 Learning Objective
- 1.2 Introduction
- 1.3 Meaning of Human Resources
- 1.4 Meaning & Definition of Human Resource Management
- 1.5 Importance of Human Resource Management
- 1.6 Objectives of Human Resource Management
- 1.7 Functions of Human Resource Management
- 1.8 Role of a Human Resource Manager
- 1.9 Qualifications and qualities of Human Resource Manager
- 1.10 Duties and Responsibilities of Human Resource Manager
- 1.11 Evolution & Development of Human Resource Management
- 1.12 Recent Developments in Human Resource Management
- 1.13 Chapter Summary
- 1.14 Review Questions
- 1.15 Multiple Choice Questions



1.1 LEARNING OBJECTIVE

After completing this chapter, you will get updated about the Theoretical foundations of Human Resource Management -

- Its Importance
- Its Essence, objectives and features and functions
- Stages of development in Human Resource Management

1.2 INTRODUCTION

An organization; to run smoothly and successfully; requires five main factors - Men, Machine, Money, Material and Method. Out of these Men - or rather a Human resource as it is addressed; is a critical resource in the organization. Any process that has to be taken up in a business or any production requires human resources right from the design of the process or product; to understanding the machines required, to budgeting the production, designing the packaging, marketing the product and ultimately selling the product. Humans can make or break the entire system thus becoming a crucial element in the success of any business.

Consider the case of Cadbury India (now Mondelez International Inc.). When worms were found in the chocolates in India (in 2003); the company had to face a huge setback in the market. It was the efforts of the employees of Cadbury India who worked hard to revamp the entire packaging system and up the quality of the product. No wonder they could recapture all the market that was lost. Similarly, scores of examples can be found where the human resource broke the back of companies.

Thus, the point is it Human Resources can make or break an organization; how do managers and owners ensure that they only make and grow the organization and not adversely harm it? The answer to this question lies in 3 things - get good people to work for the organization; develop and engage these people and motivate them continuously to contribute exponentially and positively to the organization.

1.3 MEANING OF HUMAN RESOURCES

Human Resources are essentially the people that work in an organization; regarded as the human capital or human asset of the organization. Leon C. Megginson; in his book writes that the term human resources can be thought of as, the total knowledge, skills, creative abilities, talents, competencies and aptitudes of an organization's workforce, as well as the values, attitudes, commitment and beliefs of the individuals involved.

Humans who come to work for an organization bring with them an inventory of knowledge, skills and abilities which they put to use while performing their tasks. It is the role of Human Resource Management to make sure that maximum of these knowledge, skills and abilities are utilized to get desired results for the achievement of goals and objectives of the organization.

Human resource is also an economic term because people are economical. They work to fulfil their wants and needs while also getting a feeling of social belongingness and a sense of achievement. Human resource as a concept treats humans both as economic and as social, physiological, psychological and spiritual beings.

NOTES



1.4 MEANING & DEFINITION OF HUMAN RESOURCE MANAGEMENT

Management; to put across simply is the art of getting things done. A broader perspective to management says that management is the art and science of planning, organizing, directing and controlling the movement of resources in an organization to get the desired results.

Human Resource Management then, is the art and science of planning, organizing, directing and controlling the human resources in the organization to get the desired results.

Dr A. Chandran Mohan defines HRM as “a set of programs, functions and activities designed and carried out to achieve both individuals as well as organizational goals”.

According to Flippo, “Human Resource Management is the planning, organizing, directing and controlling of the procurement, development, compensation, integration, maintenance, and reproduction of human resources to the end that individual, organizational and societal objectives are accomplished. “

Dale Yoder puts it as “the provision of leadership and direction of people in their working or employment relationship. “

Gary Dessler defines it as “The policies and practices one needs to carry out the people or human resource aspects of a management position, including recruiting, screening, training, rewarding, and appraising.”

1.5 IMPORTANCE OF HUMAN RESOURCE MANAGEMENT

Following are the salient features of Human Resource Management-

1. **People facet of management:** Human Resource Management is essentially concerned with the people dimension of management. Its main function and feature are that it manages the productivity and efficiency of people employed in the organization. It is concerned with the well-being and engagement of human beings.
2. **Continuous Process:** Human Resource Management cannot be a one-time process. It is a continual process that keeps on managing the life cycle of the employee in the organization.
3. **Developmental Activity:** Human Resources Management is about developing the people employed in the organization - developing the knowledge, skills and abilities of the employees through learning and exposure to a variety of different and complex tasks.

*HUMAN
RESOURCE
MANAGEMENT
FUNCTIONS &
ROLE*



4. **Attaining the Goals of the organization:** It is responsible for creating congruence between the goals of individuals and the goals of the organization. Creating an alignment between individual and organizational goals brings about high productivity, employee engagement and employee retention.
5. **Dynamic Function: Human Resource Management cannot be rigid.** It has to have the flexibility to mould its functions with the changing nature of employees' nature, behaviours and backgrounds. It also has to change for all types of policies, procedures according to the changes in the business environment.
6. **Strategic Approach:** Human Resource Management has moved from being a timekeeping office to a strategic function whose main responsibility now is optimum utilization of the Human Resource and retention, engagement and creation of a knowledge bank for the enterprise.
7. **Future orientation:** Human Resource Management has to look ahead and plan to meet organizational goals. It is essential to foresee and plan to survive and sustain in the competitive environment.
8. **Central Subsystem:** Human Resource Management has to work in congruence with all other departments. They are responsible to understand the work other departments do: their human resource requirements of these departments, concerns and issues of people from various departments. Overall; FIRM has to work closely with every other function in the organization.
9. **Ethical Practices:** It is a major role that FIRM plays in the organization. Communicating the values and ethics of the organization to employees and making sure that they are abided with are features of the FIRM.
10. **Organizational Culture:** Human Resources as a function clearly defines and percolates the culture expected by the top management of the organization. Setting standards of behaviour in line with the principles, ethics and culture of the organization is a feature of Human Resource Management.

1.6 OBJECTIVES OF HUMAN RESOURCE MANAGEMENT

The objectives of Human Resource Management can be listed as below:

1. To create and utilize a workforce of skilled and efficient people to achieve the goals of the organization.
2. To establish and uphold a strong organizational culture and good work relationships in the organization.
3. To establish and uphold the values, ethics and principles of the organization and make sure that they are abided by.
4. To govern the upholding of the code of conduct in the organization.
5. To act as a service provider to all stakeholders of the organization.
6. To create and maintain a linkage between individual and organizational goals.
7. To identify and fulfil the needs of all stakeholders of the organization; for example, needs of the individuals and groups related to compensation, job enrichment, job

satisfaction etc.

8. To create facilities and opportunities for all stakeholders.
9. To create a culture of customer service both internal and external customers through continuous training and culture orientation.
10. To respond to changes in the business environment by timely changes in policies, procedures and programmes.

1.7 FUNCTIONS OF HUMAN RESOURCE MANAGEMENT

Human Resource Management has a lot of important functions to fulfil in the organization. Mainly, the functions of HRM are divided into 2 types: Managerial and Operative Functions.

- Planning
- Organizing
- Directing
- Controlling
- Recruitment & Selection
- Job Analysis & Job Design
- Performance Appraisal
- Training and Development
- Wage & Salary Administration
- Employee Welfare
- Employee Retention
- Labour Relations
- Personnel Record
- Advice to Top Management
- Advice to Departmental Heads

A. Managerial Functions

1. **Planning:** Human Resource Planning is a function that determines the number of workforces required in the organization for the year. It is about planning the types of employees based on the jobs required to be done in the organization. A yearly activity; has to map the exact qualifications, experience, knowledge, skills, abilities and competencies based on the requirements of the tasks to be done in the organization.
2. **Organizing:** The allocation of members to job roles and assigning tasks to them is one of the major activities of the organizing function. Another activity of organizing is to establish relationships between roles, responsibilities and employees to move all employees in the direction of fulfilment of organizational goals.





3. **Directing:** Providing direction to the employees at different levels to ensure inputs and outputs lead to common and correct goals is important. Direction needs to be given from a birds-eye view by HR to avoid goal incongruence in employees.
4. **Controlling:** All planning, organizing and directing will lead to action. These actions may or may not get the required results. It is essential to correct any deviation in required results at early stages and set the work again in the right direction.

B. Operative Functions

1. **Recruitment & Selection:** Recruitment and Selection are functions responsible for identifying the correct fit for a job role and then selecting those people to do the tasks. It is responsible to bring a pool of candidates together to select the right candidate for the job.

Recruitment involves the Identification of various sources for recruitment of candidates, creation of new sources, getting applications and scrutinizing them and striking a balance between internal and external sources.

Selection involves: Creating and developing relevant tests, selecting correct interview techniques, reference checks, managing medical check-ups, coordination with managers, communication of offers, selection and rejection and correct placement of selected candidates in suitable roles.

2. **Job Analysis and Job Design:** Job analysis is the process to understand the nature of the job and specifying the knowledge, skills and abilities required to get the job done. It also deals with understanding the professional qualifications and experiences required to get the job done effectively. Job design outlines and organises the tasks, duties, and responsibilities together to generate work objectives.

Job analysis mainly involves collecting data and information related to the job, preparation of job descriptions, job requirements and employee specifications for the job and finally identifying the nature, levels and quantum of human resources required.

3. **Performance Appraisal:** Human Resource Management performs this function to ensure that the work done by the employees is as per the expected standards. If not corrective measures like counselling, training etc. are taken by HRM professionals.

Performance appraisal includes developing policies and procedures for correct evaluations, coordinating with functional managers to understand their performance requirements, reviewing performance and preparing relevant reports, determining corrective actions and evaluating the effectiveness of performance management programmes.

4. **Training & Development:** Learning is an essential function for any organization to grow and stay competitive. HRM is responsible to identify which competencies are required to be developed in the organization; organizing training for employees and measuring the effectiveness of these training.

T&D performs the following tasks: Identification of training needs of all individuals working in the organization, preparing a competency matrix,

conducting the training and evaluating the effectiveness of the training. It involves the identification of the need for management development and conducting these programs for the development of the top management.

5. **Wage & Salary Administration:** Compensation for the contribution of employees is one of the crucial tasks of HRM. It deals with conducting wage and salary surveys, determining wages and salary rates, evaluating the effectiveness of salary and wage administration. It is also concerned with fringe benefits like disablement benefits, housing facilities, recreational facilities, conveyance, housing, medical benefits etc. Compensation also looks after social security management like maternity benefits, dependant benefits, provident funds, retirement benefits etc.
6. **Career Planning & Development:** It is necessary to plan the career of each employee and chart a path of success for her/him in the organization. It is when an employee can see the future that they get a sense of security and then put in their best. It includes charting a path to show the employee's internal and external mobility, which includes transfers, promotions, demotions, and deputations that can happen in the employee's lifecycle.
7. **Employee Welfare:** This function is concerned with looking after the welfare of the employees like basic amenities, services, facilities and benefits.
8. **Employee Retention:** This function as the name explains is about formulating various strategies to keep the employees engaged with the organization and retaining them for longer periods.
9. **Labour & Employee Relations:** This concerns the interaction of HRM with the labour unions and the protection of rights of the labour. HRM is concerned with understanding the different perceptions of employees, team dynamics, personality differences and creating & implementing models to balance these. HRM is responsible for motivating employees, showing them a direction towards their goal, developing good communication and leadership in the organization and counselling and handling disciplinary issues in the organization.
10. **Personnel Record:** This is an administrative function where HRM is responsible to maintain the records of all employees related to personal details, qualifications, positive or negative actions taken and achievements.

C. Advisory Role:

1. **Advisor to Top Management:** The role of HRM is to advise the Top Management on the formulation of strategy related to compensation, retention, labour issues, etc.
2. **Advisor to Departmental Heads:** HRM advises departmental heads of various departments on matters such as manpower planning, job analysis, training, team handling etc.

CHECK YOUR PROGRESS

1. What do you understand by Human Resources?
2. Do the analysis of the importance of Human Resource management.





3. What are the functions of Human Resources management?
4. Explain Advisory Role under Human Resources management.
5. Describe the managerial functions under Human Resources management.

1.8 ROLE OF A HUMAN RESOURCE MANAGER

A Human Resource Manager has to wear a lot of hats. He/she essentially have to be a leader who inspires others to be committed towards their work and give not only good but great results. An HR Manager has to put on the hats of a counsellor, mediator, conscience, spokesman, problem solver and change agent.

Certain roles that are commonly identified for the HR manager are as below:

- A. **Personnel Role:** The HR manager plays a crucial role as an advisor to the management on issues and factors related to personnel. These factors include manpower planning, recruitment and selection, training and development etc. It also involves the evaluation of the performance of personnel in the organization. This requires the HR manager to play the role of an advisor to the top management as well as the departmental heads and line management.
- B. **Welfare Role:** When looking after the welfare of the employees - be it blue-collared or white-collared employees - an HR manager has to become a researcher. The manager has to conduct extensive research on changing trends of welfare and implement them as it is important determinant in employee retention. The manager also plays the role of a caretaker concerning employee welfare; taking care of all facilities like canteen, transportation, fringe benefits and overall comfort of the employees.
- C. **Administrative Role:** The HR manager also has to don the role of the controller while in the administrative role. The manager has to look into timekeeping, discipline, salary and wages, record maintenance and making the relationships work. An administrator for this task requires the person to be a disciplinarian.
- D. **Fire-Fighting Role:** This is the counsellor plus caretaker plus mediator role. It includes grievance handling, disputes settlement, disciplinary actions and issues, collective bargaining, and consultations. This requires the HR manager to be dynamic enough to change roles according to the situation.

1.9 QUALIFICATIONS AND QUALITIES OF A HUMAN RESOURCE MANAGER

A Human Resource Manager has to have qualifications that enable him to have a skill set related to analysis, understanding of psychology, understanding of laws related to business and labour, moderate knowledge of accounting for purpose of payroll etc. In India, the majority of companies prescribe that to become an HR manager the person completes at least one course out of MBA (in Human Resource), MPM (Masters in Personnel Management), MA (in IR & PM) or a Post Graduate Diploma in Management with specialization as Human Resource.

An HR manager needs to have a combination of a few qualities to play the roles that are mentioned above.

1. **Attributes related to personality:** A Human Resource manager needs to first and foremost be compassionate. The manager must have analytical ability and the ability to judge the situation correctly. The HR manager needs to be patient, must be a person who takes initiative, is enterprising and resourceful and has integrity which helps him/her to protect the rights of the employees as well as the organization. The HR manager should be intelligent and be able to communicate effectively. Leadership quality is also essential to aid in directing the employees towards their individual and organizational goals.
2. **Planning & Execution Skills:** An HR manager is required to have planning and execution skills. They need to plan strategically based on the yearly goals of the organization and execute the plan. The manager must have strong planning and execution skills.
3. **Professional Attitude:** The HR Manager should have a professional attitude and the ability to keep personal and professional relationships separately. This is important because the manager has to set a precedent of the organizational culture, ethics and code of conduct. An HR manager has to set standards of behaviour, perception and team dynamics based on their conduct thus setting a tone in the organization.
4. **Experiences and Training:** The functions of Human resources are based on the understanding of human nature and handling issues related to humans and their feelings, perceptions etc. An experienced HR manager would know how to handle situations diplomatically and maturely. If the person has received professional training in the area of psychology, labour laws and relations, personality studies etc. it aids the manager in understanding and decision making.

1.10 DUTIES AND RESPONSIBILITIES OF A HUMAN RESOURCE MANAGER

The human resource manager is responsible for overlooking the management of human resources in the organization. He/she is responsible to get maximum productivity and make sure that the organizational performance is as per set standards. Below is a list of the duties HR manager perform and the responsibilities they undertake to achieve their objectives.

1. Conduct and update the job analysis as per changing dynamics of the organization. It includes job design, preparation of job descriptions and specifications in coordination with the line managers.
2. Design and conduct tests for the selection of the correct candidates by understanding the tasks to be performed by each department and the relevant skill sets required for those tasks.
3. Advice departmental heads on planning and organizing tasks, manpower planning, team building etc.





4. Carry out training needs analysis by first understanding the gap between existing and required competencies.
5. Conduct training programmes and evaluate the effectiveness of these programmes. This also includes formulating an effective induction programme for new joiners.
6. Work out optimum wages and salaries to be given to employees along with formulating policies for employee benefits, retention, grievance handling, etc.
7. Introducing new engagement techniques and keep on motivating employees to give their best.
8. Liaison with government agencies for labour welfare and other compliances.
9. Encouraging team building and open communication culture in the organization.
10. Ensuring that the code of conduct, principles and values of the organization are followed and abided by.
11. Research to find out satisfaction levels in the organization along with benchmarking best practices in other organizations.
12. Maintain and enhance the quality of work-life in the organization.
13. Ensure best possible relations with all stakeholders in the organization.

1.11 EVOLUTION AND DEVELOPMENT OF HUMAN RESOURCE MANAGEMENT

Human Resource Management finds its roots in the industrial revolution of the 1850s in Western Europe and the United States of America. It gradually entered India around the early 1900s. The first appointment of labour officers in India happened in 1911 when J.H Whitley; Chairman of The Royal Commission of Labour in India recommended the abolishment of the system of jobbers. Trade Unions started forming in India and 1926, the Trade Unions Act was passed.

Evolution of HRM in India

Period	Development	Outlook	Emphasis	Status
1920 - 1930	Beginning	Legalistic	Statutory welfare, paternalism	Clerical
1940-1960	Struggling for recognition	Technical	Paternalism	Administrative & Legalistic

1.11 RECENT DEVELOPMENTS IN HUMAN RESOURCE MANAGEMENT

The current trends in Human Resource Management are listed as below:

1. **Diversity in Workplace:** Companies today try to make their workplaces as diverse as possible as they understand that each culture brings with it different thought

processes, different behaviours and different ways of working. It brings a fresh outlook towards innovative methods to perform tasks and also helps in creating innovations in every area of the organization.

2. **Talent Management:** It is concerned with attracting new talent and retaining existing ones; all the while focus being on maintaining and upgrading the talent, skills and knowledge of the workforce in the organization.
3. **Learning Organization:** The focus of organizations today has shifted from redundant work to learning new things. Globalization has resulted in generating the need to be constantly upgraded in terms of technological and other knowledge to sustain and survive the competition. Learning Organizations are the new trend on the business front.
4. **Shift towards attitude:** Organizations have moved from monitoring people to creating a positive attitude. It is more about generating a positive attitude in employees, creating an engaged workforce and a positive environment.
5. **Central Subsystem:** Human Resources have become a central subsystem for the organization where everything now revolves around “human resources”.

1.13 CHAPTER SUMMARY

This unit covers the basic understanding of the concept of Human Resource Management. Human Resource Management; in a nutshell is about recruiting, inducting, training, evaluating and controlling the human resource inputs to an organization. Human Resources can make or break an organization. Human Resources are essentially the people that work in an organization. Humans who come to work for an organization bring with them an inventory of knowledge, skills and abilities which they put to use while performing their tasks. Human resource is also an economic term because people are economical. They work to fulfil their wants and needs while also getting a feeling of social belongingness and a sense of achievement. Human resource as a concept treats humans both as economic and as social, physiological, psychological and spiritual beings. Management; to put across simply is the art of getting things done.

Any process that has to be taken up in a business or any production requires human resources right from the design of the process or product; to understanding the machines required, to budgeting the production, designing the packaging, marketing the product and ultimately selling the product. Humans can make or break the entire system thus becoming a crucial element in the success of any business. Human Resource Management then, is the art and science of planning, organizing, directing and controlling the human resources in the organization to get the desired results.

1.14 REVIEW QUESTIONS

SHORT ANSWER TYPE QUESTIONS

1. Explain Planning under Human Resource Management.

NOTES



HUMAN
RESOURCE
MANAGEMENT
FUNCTIONS &
ROLE



2. What are the roles of a Human Resource Manager?
3. What are the operative functions in Human Resource Management?
4. Explain wage and salary administrations in Human Resource Management.
5. What is the importance of Human Resource Management?

LONG ANSWER TYPE QUESTIONS

1. Define Human Resource Management. What are the Salient features of Human Resource Management?
2. Explain the importance of Human Resource Management and the qualities of HRM.
3. What are the qualities, qualifications and role of Human Resource Management?
4. Discuss the evolution of Human Resource Management.
5. Differentiate between Personnel Management and Human Resource Management.

1.15 MULTIPLE-CHOICE QUESTIONS

1. An organization; to run smoothly and successfully; requires five main factors - Men, Machine, Money, _____ and _____.
 - a. Planning and Directing
 - b. Material and Method.
 - c. Experience and Training
 - d. Wage and Salary
2. A set of programs, functions and activities designed and carried out to achieve both _____.
 - a. Individuals as well as organizational goals.
 - b. Organization and management goals.
 - c. Employees and management goals.
 - d. Manager and Company goals.
3. Employee welfare function is concerned with looking after the welfare of the employees like _____.
 - a. Basic amenities, services, facilities and benefits.
 - b. Skill, knowledge and qualification.
 - c. Wage and Salary
 - d. Recruitment and Selection.
4. To create and utilize a workforce of skilled and efficient people to achieve the _____ of the organization.
 - a. Profit
 - b. Resources

- c. Goals
d. None of the above.
5. Human Resource Management finds its roots in the industrial revolution of the 1850s in Western Europe and the United States of America. It gradually entered India around the early _____.
- a. 1700s
b. 1900s
c. 1800s
d. 1600s
6. Responsibilities of optimum utilization of the Human Resource and retention, engagement and creation of a knowledge bank for the enterprise comes under _____.
- a. Strategic Approach
b. Future orientation
c. Central Subsystem
d. Ethical Practices
7. To establish and uphold the values, ethics and principles of the organization and make sure that they are abided by is the _____ of Human Resource Management.
- a. Importance
b. Function
c. Objective
d. None of the above.
8. Ensure best possible relations with all stakeholders in the organization is the _____ of the Human Resource Management.
- a. Evolution and Development
b. Duties and Responsibilities
c. Qualifications and Qualities
d. Functions and Objectives
9. The role of HRM is to _____ the formulation of strategy related to compensation, retention, labour issues, etc.
- a. Advises the Top Management
b. Advises the Departmental Heads
c. Both a & b.
d. None of the above.



NOTES



10. Attracting new talent and retaining existing ones; all the while focus is on maintaining and upgrading the talent, skills and knowledge of the workforce in the organization comes under _____.
- Talent Management
 - Learning Organization
 - Central Subsystem
 - Shift towards attitude

◆◆◆◆

PROCESS OF HUMAN RESOURCE PLANNING

STRUCTURE

- 2.1 Objective of learning
- 2.2 Introduction and Definition of Human Resources Planning
- 2.3 Objectives of Human Resource Planning
- 2.4 Importance and Benefits of Human Resource Planning
- 2.5 Process of Human Resource Planning
- 2.6 Problems in Human Resources Planning
- 2.7 Recruitment
- 2.8 Selection and Selection Methods
- 2.9 Job Analysis
- 2.10 Job Description and Job Specification
- 2.11 Tests used for selection of candidates
- 2.12 Placement
- 2.13 Introduction to Training and Induction
- 2.14 Meaning and Objective of induction programme
- 2.15 Training
- 2.16 Importance and benefits of Training
- 2.17 Training Need Identification
- 2.18 Methods and Advantages of Training
- 2.19 Training Evaluation and Recent Trends in Training
- 2.20 Chapter Summary
- 2.21 Review Questions
- 2.22 Multiple-Choice Questions



2.1 LEARNING OBJECTIVE

After completing the chapter, you will be able to understand:

- The Meaning and Objectives of Human Resources Planning
- The Process of Human Resource Planning
- How the selection processes take place
- Impact on Placements
- Importance and benefits of Training
- Training Evaluation and Recent Trends in Training

2.2 INTRODUCTION AND DEFINITION OF HUMAN RESOURCE PLANNING

Human resources undoubtedly play the most important part in the functioning of an organization. The term 'resource' or 'human resource' signifies potentials, abilities, capacities, and skills, which can be developed through continuous interaction in an organizational setting.

The interactions, interrelationships, and activities performed all contribute in some way or other to the development of human potential. Organizational productivity, growth of companies, and economic development are to a large extent contingent upon the effective utilization of human capacities.

Hence, an organization needs to take steps for the effective utilization of these resources. In the various stages in the growth of an organization, effective planning of human resources plays a key role. Matching the requirements of the job with the individual is important at all stages, including the recruitment procedures, in this endeavour.

When organizations contemplate diversification or expansion, or when employees have to be promoted, human resource planning plays an important role. Further, the organizational plans, goals, and strategies also require effective human resource planning.

Human Resource Planning is the planning of Human Resources. It is also called manpower planning/ personnel planning/ employment planning. It is only after Human Resource Planning that the Human Resource department can initiate the recruitment and selection process. Therefore, Human Resource Planning is a sub-system of organisational planning.

Definitions of Human Resource Planning by eminent authors:

“Human Resource Planning is a strategy for the acquisition, utilization, improvement and preservation of an organisation’s human resource.” – Y.C. Moushell

“Manpower planning is the process by which a firm ensures that it has the right number of people and the right kind of people, at the right places, at the right time, doing things for which they are economically most useful”. – Edwin B. Geisler



“Human Resource Planning is a process of forecasting an organisation’s future demand for human resource and supply of the right type of people in right numbers.” – J. Chennly. K

“Human Resource Planning is an integrated approach to perform the planning aspects of the personnel function. It ensures sufficient supply of adequately developed and motivated workforce to perform the required duties and tasks to meet organization’s objectives by satisfying the individual needs and goals of organizational members.” – Leon C. Megginson

“A strategy for the acquisition, utilization, improvement, and preservation of human resources of an enterprise. It is a way of dealing with people in a dynamic situation.” – Stainer

“The process of determining manpower requirements and the means for meeting those requirements to carry out the integrated plan of the organization.” – Bruce P. Coleman

“Human Resource Planning is the process by which management determines how the organization should move from its current manpower position to its desired position. Through planning, management strives to have the right number and the right kind of people, at the right places, at the right time, doing right things resulting in maximum long-run benefits both for the organization and for the individual.” – Vetter

2.3 OBJECTIVES OF HUMAN RESOURCE PLANNING

The objective of human resource (HR) planning is to ensure the best fit between employees and jobs while avoiding manpower shortages or surpluses. The three key elements of the HR planning process are forecasting labour demand, analysing present labour supply, and balancing projected labour demand and supply.

The main objectives of Human Resource Planning are:

1. **Achieve Goal:** Human Resource Planning helps in achieving individual, Organizational & National goals. Since Human resource planning is linked with career planning, it can able to achieve an individual goal while achieving organisational and national goals.
2. **Estimates future organizational structure and Manpower Requirements:** Human Resource Planning is related to the number of personnel required for the future, job-family, age distribution of employees, qualification & desired experience, salary range etc. and thereby determines future organizational structure.
3. **Human Resource Audit:** Human resource planning process is comprised of estimating the future needs and determining the present supply of Manpower Resources. Manpower supply analysis is done through skills inventory. This helps in preventing overstaffing as well as understaffing.
4. **Job Analysis:** The process of studying and collecting information relating to operations and responsibilities of a specific job is called Job analysis. Job analysis is comprised of a job description and job specification. The job description describes the duties and responsibilities of a particular job in an organized factual way. Job



specification specifies minimum acceptable human qualities necessary to perform a particular job properly.

2.4 IMPORTANCE AND BENEFITS OF HUMAN RESOURCE PLANNING

IMPORTANCE

The importance of systematic and comprehensive man-power planning (or Human Resource Planning) may be ascertained from the following points:

1. Human resource planning meets the organization's need for the right type of people in the right number at the right times.
2. By maintaining a balance between demand for and supply of human resources, human resource planning makes optimum use of human resources, on the one hand, and reduces labour cost substantially, on the other.
3. Careful consideration of likely future events, through human resource planning might lead to the discovery of better means for managing human resources. Thus, foreseeable pitfalls might be avoided.
4. Manpower shortfalls and surpluses may be avoided, to a large extent.
5. Human resource planning helps the organization create and develop training and succession planning for employees and managers. Thus, it provides enough lead time for an internal succession of employees to higher positions through promotions.
6. It also provides multiple gains to the employees by way of promotions, increases in emoluments, and other perquisites and fringe benefits.
7. Some of the problems of managing change may be foreseen and their consequences mitigated. Consultations with affected groups and individuals can take place at an early stage in the change process. This may avoid resistance to change.
8. Human resource planning compels management to assess critically the strength and weaknesses of its employees and personnel policies continuously and, in turn, take corrective measures to improve the situation.
9. Through human resource planning, duplication of efforts and conflict among efforts can be avoided, on the one hand, and coordination of workers' efforts can be improved, on the other.
10. Last but no means least, with an increase in skill, knowledge, potentialities, productivity, and job satisfaction, the organization becomes the main beneficiary. The organization is benefitted in terms of increase in prosperity/production, growth, development, profit, and, thus, an edge over its competitors in the market.

BENEFITS

1. **A Better View to the business decision:** Human resource planning leads to a better overall view of the business's decisions by employees and the public. The actions were taken by the organization become systematic and process-oriented, thus taking personal feelings out of the equation.

2. **Retaining top talents:** When a human resource plan is thoughtfully executed, organizations can better retain top talents. As any organization knows, getting a talented individual hired in is only half the battle— incentivizing them to stay can be another matter entirely.
3. **Addressing the organization's manpower needs:** Human resource planning identifies a company's needs with regards to manpower, thus allowing the organization to effectively address them.
4. **Minimum Cost:** Attracting and retaining talent costs money, there's no getting around it. Human resource planning, however, allows organizations to minimize the money they spend on these areas, thus reducing costs overall and leading to more efficient operations.
5. **Ensuring that the right people are hired:** A solid human resource strategy helps organizations attract the right person for the job. This is especially important for any type of specialized position, where a specific background or knowledge is required, but it can also extend to more general positions. Finding an employee with the right attitude, for example, can greatly improve the experience of customers at a convenience store.
6. **Facilitating expansion programs:** If your business plans to expand, human resource planning can help your business prepare to do so with minimal growing pains. If you know there are going to be six openings coming up in the next year, you can begin to recruit for them now instead of waiting until it's too late.
7. **Training employees:** Even the right employee for the job can't counteract a lack of training. Human resource planning considers training an important part of the recruitment and retention process.
8. **Managing employees:** Employee management can be a challenge for any organization, big or small. A solid human resource plan ensures the right employees are placed in management roles.
9. **Improved Utilization:** HR planning can improve employee utilization by connecting the right employee with the right position. This increases productivity and leads to a more knowledgeable workforce.
10. **Management Development:** Hiring entry-level employees is tough— hiring management can be downright impossible. A human resource plan can direct your organization to potential employees that can be successfully groomed for management.
11. **Information Base:** A human resource plan serves as an information base for an organization. It contains data on the organization's growth, hiring strategy, training plan, and retention. This can help the organization make more informed decisions in the future.
12. **Coordination:** One result of a successful human resource plan is coordination amongst different departments. There must be communication between departments to ensure accurate job descriptions and staffing predictions, for example.





13. **Corporate Asset:** A human resource plan can be a tremendous asset to any corporation, particularly larger ones or companies with multiple locations and moving parts.
14. **Gradual Growth:** HR strategies can ultimately lead to gradual growth for an organization, which is sustainable and ideal. Unchecked growth can put unnecessary strain on an organization and harm it in the long run.
15. **Coping with change:** Organizations must adapt to changes in the environment, both locally and abroad. A human resource plan can help a company adapt to changes, potentially even staying one step ahead.
16. **Adjusting with the Rapid Technological Change:** Technological change occurs at a rapid pace, and organizations must keep up. Human resource plans can help make sure that your company does not get left behind.

2.5 PROCESS OF HUMAN RESOURCE PLANNING

Human Resource Planning is a process of forecasting the organization's demand for and supply of manpower needs shortly.

1. **Determining the objectives of human resource planning:** The foremost step in every process is the determination of the objectives for which the process is to be carried on. The objective for which the manpower planning is to be done should be defined precisely, to ensure that the right number of people for the right kind of job is selected.

The objectives can vary across the several departments in the organization such as the personnel demand may differ in marketing, finance, production, HR department, based on their roles or functions.

2. **Analysing Current Manpower Inventory:** The next step is to analyze the current manpower supply in the organization through the stored information about the employees in terms of their experience, proficiency, skills, etc. required to perform a particular job.

Also, the future vacancies can be estimated, to plan for the manpower from both the internal (within the current employees) and the external (hiring candidates from outside) sources. Thus, it is to be ensured that reservoir of talent is maintained to meet any vacancy arising shortly.

3. **Forecasting Demand and Supply of Human Resources:** Once the inventory of talented manpower is maintained; the next step is to match the demand for the manpower arising in the future with the supply of available resources with the organization.

Here, the required skills of personnel for a particular job are matched with the job description and specification.

4. **Analysing the Manpower Gaps:** After forecasting the demand and supply, the manpower gaps can be easily evaluated. In case the demand is more than the supply of human resources, that means there is a deficit, and thus, new candidates are to be hired.



Whereas, if the Demand is less than supply, there arises a surplus in the human resources, and hence, the employees have to be removed either in the form of termination, retirement, layoff, transfer, etc.

5. **Employment Plan/Action Plan:** Once the manpower gaps are evaluated, the action plan is to be formulated accordingly. In a case of a deficit, the firm may go either for recruitment, training, interdepartmental transfer plans whereas in the case of a surplus, the voluntary retirement schemes, redeployment, transfer, layoff, could be followed.
6. **Training and Development:** The training is not only for the new joiners but also for the existing employees who are required to update their skills from time to time. After the employment plan, the training programmes are conducted to equip the new employees as well as the old ones with the requisite skills to be performed on a particular job.
7. **Appraisal of Manpower Planning:** Finally, the effectiveness of the manpower planning process is to be evaluated. Here the human resource plan is compared with its actual implementation to ensure the availability of several employees for several jobs.

At this stage, the firm has to decide the success of the plan and control the deficiencies, if any.

Thus, human resource planning is a continuous process that begins with the objectives of Human Resource planning and ends with the appraisal or feedback and control of the planning process.

2.6 PROBLEMS IN HUMAN RESOURCES PLANNING

Human resource planning is as important as not so easy to make. The planners face various problems while formulating human resource plans. The major ones are discussed as follows:

1. People perceive that people are available in abundance in our labour surplus economy. Then, why spend time and money forecasting human resources? Surprisingly, this perception about human resource planning is also held by the top management.
2. Another problem in human resource planning is that the demand for and supply of human resources is not cent per cent accurate. Experience suggests that the longer the time horizon for forecasting human resource requirements, the greater is the possibility of inaccuracy in estimates of human resource needs.
3. Various types of uncertainties like labour turnover, absenteeism, seasonal employment, market fluctuations, and changes in technology render human resource planning ineffective. The reason is these uncertainties make human resource forecast mere a guess far from reality.
4. Sometimes human resource planning suffers from a conflict between quantitative and qualitative approaches used for it. Some people view human resource planning as a mere numbers game to track the flow of people across the departments and in and out of the organization. Conversely, others take a qualitative approach



focusing on the quality of human resources like career planning development, skill, morale, etc.

5. Generally, human resource personnel is perceived as experts in handling personnel matters. But they are not experts more often. Hence, human resource requirements estimated by such people are not real ones. The organizational plans based on such estimates are endangered to have flopped.
6. As human resource planning is based on data relating to human resources, the same is not maintained properly in some industrial organizations. Then, in the absence of reliable data, it becomes difficult to develop effective human resource plans.

In sum and substance, problems in human resource planning arise both from inherent limitations of forecasting, on the one hand, and from weaknesses of humans that do it, on the other. But both can be overcome.

2.7 RECRUITMENT

Human resource recruitment on the other hand entails the process of attracting and encouraging eligible individuals to apply for different positions in an organization. It involves generating a pool of appropriate and qualified candidates for available job positions in an organization.

It is a process that commences when the recruits are identified and ends when the applications from these candidates are received. Recruitment is a very essential process as it facilitates the attraction of qualified candidates to apply and it discourages the unsuited ones to be involved through the provision of the right job information. Recruitment also plays a role in protecting the organization's image.

2.8 SELECTION AND SELECTION METHODS

The selection process is very important as it ensures that the right candidates are deployed, in terms of qualifications and experience. This is achieved by matching the attributes in the application documents and the practical ones. The selection activities from the initial screening interview to the final physical examination and practices are aimed at coming up with successful selection decisions.

For the selection process to be effective, it ought to provide a perfect match between the organizational needs and candidates' qualifications and interests. Effective selection ensures that there is the quality performance of an employee right from the start. It also avoids too much expenditure for hiring by avoiding unnecessary processes. It in addition prevents an organization from legal implications (from incompetent and inappropriate hiring processes) that could be very costly and time-consuming (Elearn, 2009).

SELECTION METHODS

Human resources selection techniques vary, based on a company's staff and resources. The methods for selecting employees include preliminary screening, phone interviews, face-

to-face meetings, and HR functions to determine whether a candidate is indeed suitable for the job. Small businesses, even if staff resources are limited, should use these steps to choose the right candidate. The result is a wise hiring decision, and possibly lower turnover and higher employee retention, all of which benefit small-business employers.

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1. Preliminary Screening

Once an employer has received what it considers sufficient interest in the position, the recruiter starts screening the applications or resumes to determine which applicants to contact for the preliminary screening interview. Employers determine sufficient interest based on the number of applications or the amount of time the job is posted. Many times, employers take down the job posting when they receive a manageable number of applications, such as 100, to review for a handful of qualified candidates. Small businesses that don't have a lot of time to devote to screening applicants should screen based on discrete criteria, such as a minimum number of years' experience or verifiable credentials. Preliminary screening is an effective method for narrowing the selection to candidates who meet the basic requirements for the job.

2. Telephone Interviewing

Used as a first-round interview, telephone interviews allow recruiters to find out whether an applicant is still interested in the job. It also saves small businesses the money and time of conducting face-to-face interviews immediately after the preliminary screening step. A telephone interview also confirms whether the applicant has the requisite qualifications. Following the telephone interview, the recruiter typically selects the candidates who were able to articulate their skills and qualifications in a manner that meets the company's staffing needs.

3. In-Person Interviews

Face-to-face interviews take time, which is one of the reasons the applicant pool should be narrowed by conducting preliminary screening and telephone interviewing. The recruiter is a conduit for providing the hiring manager with the best-suited candidates, a process that streamlines the selection process. For example, out of 10 applicants interviewed by phone, the recruiter should select three to four candidates. The hiring manager further narrows the selection to two finalists. In a small business, although the hiring manager may be doing the work of a recruiter, best practices for HR selection methods dictate that at least one face-to-face interview be conducted before making a decision.

4. Cultural Fit Selection

In the third-round interview, often the decision round, the hiring manager asks questions that will help him determine which candidate fits the organizational culture. Qualifications aside, an important factor in the hiring decision is cultural fit. Cultural fit means the candidate's values align with the organization's values. It's a subjective analysis and one that hiring managers can only attribute to being a gut feeling, not objective criteria.

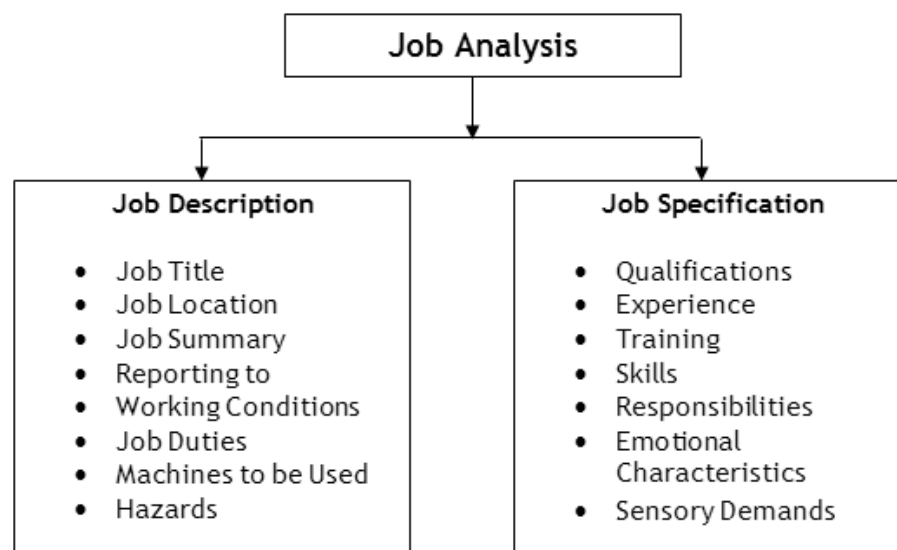
5. Vetting Candidates

Once the hiring manager tells the recruiter who has been selected as the most suitable candidate, the recruiter dispatches a conditional job offer. As part of the selection techniques, a conditional offer goes out to the No. 1 candidate, while keeping the runner-up in mind should the first candidate not pass the final stage. The final stage in what's now become the vetting process consists of pre-employment matters, such as background checks and drug testing. Even small businesses should invest in the time and expense of background checks — doing so can reduce the likelihood of hiring mistakes. Background checks verify information provided by the candidate and are an exercise in due diligence, according to management consultants Kim Kerr and Barry Nixon, in their May 2008 article on HR.BLR.com titled “Benefits and Components of a Background Screening Policy.” Once the candidate passes the background check and the drug test, the company extends a final offer. The company then sends a rejection letter to the No. 2 candidate now that it knows the No. 1 candidate can move forward with the on boarding process.

2.9 JOB ANALYSIS

Job Analysis is a primary tool to collect job-related data. The process results in collecting and recording two data sets including job descriptions and job specifications. Any job vacancy cannot be filled until and unless the hr manager has these two sets of data. It is necessary to define them accurately to fit the right person at the right place and at the right time. This helps both employer and employee understand what exactly needs to be delivered and how.

Both job description and job specification are essential parts of job analysis information. Writing them clearly and accurately helps organizations and workers cope with many challenges while onboard.



Though preparing a job description and job specification are not legal requirements yet play a vital role in getting the desired outcome. These data sets help in determining the necessity, worth, and scope of a specific job.

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2.10 JOB DESCRIPTION AND JOB SPECIFICATION

JOB DESCRIPTION

job description includes basic job-related data that is useful to advertise a specific job and attract a pool of talent. It includes information such as job title, job location, reporting to and of employees, job summary, nature and objectives of a job, tasks, and duties to be performed, working conditions, machines, tools, and equipment's to be used by a prospective worker and hazards involved in it.

Purpose of Job Description

1. The main purpose of the job descriptions is to collect job-related data to advertising a particular job. It helps in attracting, targeting, recruiting, and selecting the right candidate for the right job.
2. 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 opening.
3. It gives recruiting staff a clear view of what kind of candidate is required by a particular department or division to perform a specific task or job.
4. It also clarifies who will report to whom.

JOB SPECIFICATION

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. 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

- Described based on the job description, job specification helps candidates analyze whether are eligible to apply for a particular job vacancy or not.
- It helps to recruit a team of an organization to understand what level of qualifications, qualities, and set of characteristics 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.

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Job description and job specification are two integral parts of job analysis. They define a job fully and guide both employer and employee on how to go about the whole process of recruitment and selection. Both data sets are extremely relevant for creating a right fit between job and talent, evaluating performance and analyzing training needs, and measuring the worth of a particular job.

2.11 TESTS USED FOR SELECTION OF CANDIDATES

Employment tests are a device to check the areal knowledge of candidates for the respective jobs. These tests are very specific as they enable the management to bring out the right type of people for the jobs.

The following tests are given to the candidate in most cases:

1. **Intelligence Tests:** They test the mental ability of candidates. These tests measure the learning ability of candidates in understanding questions and their power to make quick decisions on crucial points. People who can quickly answer these questions are found to be skilful and can be offered training to improve skills for the job in an organization.
2. **Aptitude Tests:** They test an individual's capacity to learn a particular skill. There are mainly two types of aptitude tests. Cognitive tests measure intellectual, mental aptitudes. The second one is called motor tests which check the hand-eye coordination of employees.
3. **Proficiency Tests:** These tests are also called performance or occupational tests. They determine the skills and knowledge acquired by an individual through experience and on-the-job training.

They are of 4 types:

- Job knowledge tests: These tests are used to judge proficiency in operating mechanical equipment, dictating, typing, computer applications, etc. These tests can be written and practical. These tests are good for selecting typists, stenographers with supervisors, etc.
- Work sample tests: In this test, the applicant is given a piece of work to perform in a stipulated time. His performance will judge whether he can be picked up for the job.
- Personality tests: These tests judge the psychological makeup of any person. These tests check a person's motivational level, emotions, integrity, sympathy, sensitivity, etc. These traits in an individual provide the manager with an overall picture of his personality.
- Simulation tests: In this test, many situations that an employer will have to face in the job will be duplicated and the candidate will be asked to face the problem. These tests are generally used for recruiting managers in the organization.



2.12 PLACEMENT

When the candidate is selected for a particular post and when he reports to duty, the organization has to place him or her in the job for which he or she is selected which is being done through placement. Placement is the act of offering the job to a finally selected candidate. It is the act of finally assigning the rank and responsibility to an employee, identifying him with a particular job.

In the words of Pigors and Myers, “Placement is the determination of the job to which an accepted candidate is to be assigned and his assignment to that job. It is a matching of what the supervisor has reason to think he can do with the job demands. It is a matching of what he imposes in strain, working conditions and what he offers in the form of payroll, companionship with others, promotional possibilities, etc.”

A well-placed employee will be an asset to the organization. Proper placement makes the employee happy and reduces absenteeism and labour turnover. Proper placement increases the morale and efficiency of the employees and builds a good relationship with the employer.

Increased production, improved quality of the product, regularity in work and attendance indicate proper placement of an employee. It should be noted that a supervisor or an executive should always keep a watch on newly recruited employees to ensure whether an employee is properly placed or misplaced.

Placement is an important HR function, and if properly handled, it does the following:

1. Improves the morale of the employees
2. Reduces employee turnover
3. Decreases accident rates
4. Enhances labour productivity

CHECK YOUR PROGRESS

1. What do you understand by Human Resource Planning?
2. What are the objectives of Human Resource Planning?
3. What are the benefits of Human Resource Planning?
4. Explain one problem in Human Resource Planning?
5. Explain Selection.

2.13 INTRODUCTION TO TRAINING AND INDUCTION

Everything you need to know about induction in human resource management. Induction means the introduction of a new employee to the job and the organization.

It is the process of receiving and welcoming an employee when he first joins a company and giving him the basic information, he needs to settle down quickly and happily and start work.

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It is a welcoming process to make him feel at home and generate in him a feeling of belongingness to the organization. In the process of induction, the newcomer is explained his duties and responsibilities, company rules, policies, and regulations to make him familiar to the organization.

The prime aim of an induction session is to guarantee a successful integration of the employees and the management.

Research has also shown that a well-planned induction programme increases staff retention. The new employees need to get a proper idea of the organization's values and objectives, and the job they are required to do.

Induction is the biggest event of the organizational life of a new employee. It is beneficial to both, employees as well as organization.

But many organizations treat it as a formality and, therefore, take it lightly and not in its true perspective. Such organizations cannot create a favourable image in the minds of recruits and to that extent, their effectiveness is affected adversely.

Induction has three aims:

- To smooth the early stages when everything is likely to be strange and unfamiliar to the new employee.
- To establish quickly a favourable attitude to the company in the mind of the new employee so that he or she is more likely to stay.
- To obtain effective output from the new employee in the shortest possible time.

Usually, the induction process has two components:

1. **Company Induction:** The first stage of induction is when the employee receives a detailed introduction to the company and their job. An employee handbook is useful for this purpose, but there should also be a face-to-face induction given which covers things like:
 - A brief description of the company its history, products, organization, and management.
 - Basic conditions of employment hours of work, holidays, pension scheme, insurance.
 - Pay scales, when paid and how, deductions, queries.
 - Sickness notification of absence, certificates, pay.
 - Leave of absence.
 - Company rules.
 - Disciplinary procedure.
 - Grievance procedure.
 - Promotion procedure.

- Union and joint consultation arrangements (if relevant).
- Education and training.
- Health and safety arrangements.
- Medical and first-aid facilities.
- Restaurant and canteen facilities.
- Social and welfare arrangements.
- Telephone calls and correspondence.
- Travelling and subsistence expenses (if relevant).

If your business is not large enough to justify a printed handbook, the least that should be done is to prepare a typed summary of this information. You may not personally deliver the full induction but you should spend time with all new starters so that they understand your philosophy and what is expected of them.

2. **Departmental Induction:** When the initial briefing has been completed, new employees should be taken to their place of work and introduced to their manager or team leader for the departmental induction programme. This can involve working through a checklist of training and other information which might span their first month in the role.

Training is concerned with the teaching/learning carried on for the basic purpose of enabling the employees to acquire and apply the knowledge, skills, abilities, and attitudes needed by that organization.

The objective of the training is to develop specific and useful knowledge, skills, and techniques. It is intended to prepare people to carry out predetermined tasks in well-defined job contexts. Training is a task-oriented activity aimed at improving performance in current or future jobs.

2.14 MEANING AND OBJECTIVE OF INDUCTION PROGRAMME

MEANING

Induction is the activity of introducing employees to the organization and its policies, procedures, and rules. In a formal orientation/induction programme, the employee is provided with all the information about the company's history, current position, its leave rules, its benefit programs to which he will also be a part.

In some organizations, induction takes a week, whereas, in others, it may take a day or two. Informal interactions are also held where the top executives give some guidance to recruits about their career growth. Recruits are given films, CDs, handbooks, etc. to know the organization well before they start the work.

OBJECTIVE

The major purpose or objective of the induction programme is:

- To make employees well informed with the rules, regulations, procedures, policies, etc. of the company.





- To build confidence in employees by telling them about job content, people with whom they have to work, terms and conditions of employment, and names of superiors who can be contacted in times of any problem. This will enhance the impression of the company in the minds of newcomers. They will adapt themselves to the demands of the new job and will be more committed to their job.

2.15 TRAINING

Training and development of human resources have evoked a great deal of interest in recent years. Human resource management has two basic approaches- a reactive, or problem-solving approach; and a proactive, or forward-looking approach. Training is used in both. Training is a systematic process of changing the behavior, knowledge, and attitudes of present employees to improve the match between employee characteristics and employment requirements.

At the time of hiring, no one is perfect and some training and education become a must. No organization has a choice of whether to develop employees or not; the only choice is that of the method. If there is no organized programme, then development will be mostly self-development while learning on the job.

Employee training attempts to improve skills or add to the existing level of knowledge so that the employee is better equipped to do his present job or to prepare him for a higher position with increased responsibilities. Continuous growth and development of employees make an organization viable and it adapts itself to changing environments.

2.16 IMPORTANCE AND BENEFITS OF TRAINING

Training is crucial for organizational development and success. It is fruitful for both employers and employees of an organization. An employee will become more efficient and productive if he is trained well.

Training is given on four basic grounds:

New candidates who join an organization are given training. This training familiarizes them with the organizational mission, vision, rules and regulations, and the working conditions.

The existing employees are trained to refresh and enhance their knowledge.

If any updates and amendments take place in technology, training is given to cope with those changes. For instance, purchasing new equipment changes in the technique of production, computer implanted. The employees are trained about the use of new types of equipment and work methods.

When promotion and career growth become important. Training is given so that employees are prepared to share the responsibilities of the higher-level job.

BENEFITS OF TRAINING

The benefits of training can be summed up as:

1. **Improves morale of employees:** Training helps the employee to get job security and job satisfaction. The more satisfied the employee is and the greater is his morale, the more he will contribute to organizational success and the lesser will be employee absenteeism and turnover.
2. **Less supervision:** A well-trained employee will be well acquainted with the job and will need less supervision. Thus, there will be less wastage of time and effort.
3. **Fewer accidents:** Errors are likely to occur if the employees lack the knowledge and skills required for doing a particular job. The more trained an employee is, the less are the chances of committing accidents on the job and the more proficient the employee becomes.
4. **Chances of promotion:** Employees acquire skills and efficiency during training. They become more eligible for the promotion. They become an asset to the organization.
5. **Increased productivity:** Training improves efficiency and productivity of employees. Well-trained employees show both quantity and quality performance. There is less wastage of time, money, and resources if employees are properly trained.

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2.17 TRAINING NEED IDENTIFICATION

Training need identification is a tool utilized to identify what educational courses or activities should be provided to employees to improve their work productivity. Here the focus should be placed on needs as opposed to desires of the employees for a constructive outcome.

To emphasize the importance of training need identification we can focus on the following areas:

- To pinpoint if training will make a difference in productivity and the bottom line.
- To decide what specific training each employee needs and what will improve his or her job performance.
- To differentiate between the need for training and organizational issues and bring about a match between individual aspirations and organizational goals.

Identification of training needs (ITN), if done properly, provides the basis on which all other training activities can be considered. Also requiring careful thought and analysis, it is a process that needs to be carried out with sensitivity as people's learning is important to them, and the reputation of the organization is also at stake.

Identification of training needs is important from both the organizational point of view as well as from an individual's point of view. From an organization's point of view, it is important because an organization has objectives that it wants to achieve for the benefit of all stakeholders or members, including owners, employees, customers, suppliers, and neighbours. These objectives can be achieved only through harnessing the abilities of its people, releasing potential and maximizing opportunities for development.

PROCESS
OF HUMAN
RESOURCE
PLANNING



Also, to bring a synchronization between organizational and individual objectives people need to question the way they do things. And this is precisely the hidden objective behind any training need identification process. It should ideally be a long-term process of encouraging employees to take an active involvement in their development, thus increasing their commitment to learning, to their work, and the organization as a whole.

Different Levels at which it is to be Conducted

Identification of training needs can be done at three levels to ascertain three kinds of needs:

1. **Organisational Needs:** These concern the performance of the organization as a whole. Here the identification of training needs is done to find out whether the organization is meeting its current performance standards and objectives and if not, exploring ways in which training or learning might help it to do so. Sometimes organizational training needs are also identified when the organization decides that it has to adopt a major new strategy, create a new product or service, undergo a large-scale change programme, or develop significant new relationships, such as joining with others to form new partnerships.
2. **Group Needs:** Since working in groups and teams has become very much prevalent in today's corporate world that is why nowadays there is the increased emphasis given on team effectiveness and team performance. So, training needs are nowadays even identified at the group level. Training needs here are concerned basically with the performance of a particular group, which may be a team, department, function, sub-unit, or so on. Information about this group's performance may identify areas of need - which, again, maybe for training or other interventions. It is used to find out how efficiently a particular team or group goes about its business and meets its current objectives.
3. **Individual Needs:** These concern the performance of one or more individuals (as individuals, rather than as members of a group). Here the identification of training needs is about finding out to what extent individuals need to learn or be trained to bring their current performance up to the required level as a result of changes in methods and processes that call for new competencies and skills.

2.18 METHODS AND ADVANTAGES OF TRAINING

METHODS

There are two methods of training: on-the-job training and off-the-job training.

On-the-job Training: In this method, the employee learns by doing. He is exposed to the real work situation. An experienced employee will act as a friend, philosopher, and guide. The new employee follows the orders, carries out instructions, and adopts the right technique while doing the job. In this way, he can learn the work practically.

While doing so he can ask questions, seek clarifications on various job-related matters and obtain guidance from his senior employee. Important on-the-job methods of training include job rotation, coaching or job instruction, working as an assistant or understudy under senior employees, temporary promotions, etc.

Some of the widely used on-the-job training methods are discussed below:

A. Job Instruction Training (JIT): The JIT method (developed during World War II) is a four-step instructional process involving preparation, presentation, performance try out and follow-up. It is used primarily to teach workers how to do their current jobs. A trainer, supervisor, or co-worker act as the coach.

B. Coaching and Mentoring: Coaching is a one-on-one relationship between trainees and supervisors which offers workers continued guidance and feedback on how well they are handling their tasks. Mentoring is a particular form of coaching used by experienced executives to groom junior employees.

Normally, mentoring involves one-on-one coaching for several years until the individual is eventually capable of replacing the mentor.

C. Apprenticeship Training: Apprenticeship training dates back to Biblical times and is frequently used to train personnel in some skilled trades such as electricians, mechanics, tailors, bricklayers, and carpenters. The period of training ranges from two to five years depending on the occupation in which the trainee is engaged.

One advantage of apprenticeship training is its success; success because apprenticeship programs employ many of the principles of learning-such as modeling, feedback, classroom training, etc., and are often quite effective.

The principal drawbacks of apprenticeship training include the period of training at which the employees are underpaid may be quite long. Also, the uniform period of training is not suitable for all people who have different abilities and learn at varied rates. Those who learn fast may quit the program in frustration.

Slow learners may require additional training time. It is also likely that in these days of rapid changes in technology, old skills (remember Java?) may get outdated quickly. Trainees. Those who spend years learning specific skills may find, upon completion of their programs that the job skills they acquired are no longer in the marketplace.

D. Job Rotation: Job rotation is also known as cross-training. Job rotation is the process of training employees by rotating them through a series of related tasks. In job rotation, an individual learns several different jobs within a work unit or department. He performs each for a specified period.

The trainees, therefore, are exposed to various coaches, points of view, and task operations. Job rotation has one main advantage; it makes flexibility possible in the department. For instance, when one employee of a work unit is absent, another employee can perform his job.

Job rotation is uncommon and not useful for training technical skills such as programming and welding. Job rotation is common for training managers. Job rotation rather is very necessary for middle managers because through rotation managers are exposed to different operations, departments and acquire a general knowledge of the company's procedures and policies.

E. Refresher Training: Rapid changes in technology may force companies to go in for this kind of training. By organizing short-term courses which incorporate the





latest developments in a particular field, the company may keep its employees up-to-date and ready to take on emerging challenges. It is conducted at regular intervals by taking the help of outside consultants who specialize in a particular discipline.

- F. Orientation Training:** Orientation or induction training tries to put the recruits at ease. Each new employee is usually taken on a formal tour of the facilities, introduced to key personnel, and informed about company policies, procedures, and benefits. To be effective, orientation training should be well planned and conducted within the first week of employment.

Such pre-job training helps the recruit to familiarise himself with the job and its settings. The above on-the-job methods are cost-effective. Workers produce while they learn. Since immediate feedback is available, they motivate trainees to observe and learn the right way of doing things.

Very few problems arise in the case of transfer of training because the employees learn in the actual work environment where the skills that are learned are used. On the job, methods may cause disruptions in production schedules.

Experienced workers cannot use the facilities that are used in training. Poor learners may damage machinery and equipment. Finally, if the trainer does not possess teaching skills, there is very little benefit to the trainee.

Off-the-Job Training: Under this method of trainee is separated from the job situation and his attention is focused upon learning the material related to his future job performance. Since the trainee is not distracted by job requirements, he can place his entire concentration on learning the job rather than spending his time performing it. There is an opportunity for freedom of expression for the trainees.

Off the job training methods are as follows:

- A. Vestibule Training:** In this method, actual work conditions are simulated in a classroom. Material, files, and equipment that are used in actual job performance are also used in training. This type of training is commonly used for training personnel for electrical and semi-skilled jobs. The duration of this training ranges from a few days to a few weeks. Theory can be related to practice in this method.
- B. Role Playing:** It is defined as a method of human interaction that involves realistic behavior in imaginary situations. This method of training involves action, doing, and practice. The participants play the role of certain characters, such as the production manager, mechanical engineer, superintendents, maintenance engineers, quality control inspectors, foreman, workers, and the like. This method is mostly used for developing interpersonal interactions and relations.
- C. Lecture Methods:** The lecture is a traditional and direct method of instruction. The instructor organizes the material and gives it to a group of trainees in the form of a talk. To be effective, the lecture must motivate and create interest among the trainees.
- D. Conference/Discussion Approach:** In this method, the trainer delivers a lecture and involves the trainee in a discussion so that his doubts about the job get clarified.

When big organizations use this method, the trainer uses audio-visual aids such as blackboards, mock-ups, and slides; in some cases, the lectures are videotaped or audiotaped.

Even the trainee's presentation can be taped for self-confrontation and self-assessment. The conference is, thus, a group-centered approach where there is a clarification of ideas, communication of procedures and standards to the trainees.

Those individuals who have a general educational background and whatever specific skills are required—such as typing, shorthand, office equipment operation, filing, indexing, etc. may be provided with specific instructions to handle their respective jobs.

- E. Programmed Instruction:** In recent years this method has become popular. The subject matter to be learned is presented in a series of carefully planned sequential units. These units are arranged from simple to more complex levels of instructions. The trainee goes through these units by answering questions or filling the blanks. This method is, thus, expensive and time-consuming.

ADVANTAGES OF TRAINING

1. **Increased efficiency of employees:** An effective training programme can make the employees of the company work effectively. With training, people gain confidence and this confidence is seen in the output and results.
2. **Reduced supervision:** An employee needs to be supervised when he works. When the employee has got sufficient training the amount of supervision required is less as mistakes are less. This reduces the workload of the supervisor.
3. **Less amount of wastage:** The amount of wastage by an employee is reduced a lot due to training and therefore if we take an account of the amount of wastage, we find that the company has saved a lot of money.
4. **Reduced turnover:** Proper training improves chances of obtaining promotions and employees are happy because they have better opportunities. Due to this their chances of leaving their current job reduces greatly thereby reducing employee turnover in the company.
5. **Helps new employees in the organization:** Training always benefits employees whether old or new. In the case of new employees, training helps them a lot. This is because new employees may not be aware of the functioning of the organization and training helps them to gain knowledge and insight into the working of the company.
6. **Better labor-management relations:** Labour–management relations are very essential for any organization. When companies introduce training programs and prepare employees for future jobs and promotions, they send out a message to the unions that they are interested in employee welfare. Due to this the unions also adopt a positive attitude and labor-management relations improve.





2.19 TRAINING EVALUATION AND RECENT TRENDS IN TRAINING

TRAINING EVALUATION

Hamblin defines evaluation of training as, “any attempt to obtain information (feedback) on the effects of a training programme and to assess the value of the training in the light of that information”. Evaluation of the training process is a difficult task, and different circumstances require different methods for evaluation according to the objectives aimed at.

McGhee and Thayer gave several reasons for the necessity of evaluating a training programme:

1. It enables the effectiveness of an investment in training to be appraised.
2. Reassures management about the effectiveness of a particular method of instruction, the relations between training costs and improved productivity, and the general efficiency and effectiveness of a course.
3. Lead to “considerable future savings in time and costs”.

RECENT TRENDS IN TRAINING

Today’s workforce is competitive, goal-oriented, and self-motivated. To attract and keep top talent, you need to provide them with the resources and support they need to succeed. When employees have ample opportunity to learn and advance their careers, they are less likely to want to leave. Leveraging the latest research insights, you can continue to stay on top of the growing needs of your employees and develop a corporate training and development strategy that helps everyone succeed. In this article, we’ll cover some of these top trends in training and development in the year 2020 and beyond.

- **Personalized training paths:** Not all employees will have come from the same backgrounds or learning environments as others. They also likely have different ways of learning and respond to different types of incentives. Long gone are the days of a one-size-fits-all approach to training. Instead, the best organizations employ personalized training programs that can be tailored to each employee’s specific learning needs and skills gap. While this approach is certainly more complex, it will likely yield better results for both you and your employees.
- **Mentoring:** Going hand-in-hand with personalized learning, mentoring can also be useful in the workplace. By pairing experienced employees with newer team members through formal or informal programs, you can help reduce turnover, enhance recruitment, and resolve opportunity gaps, particularly for women and people of color
- **Experiential learning:** This approach to training is simply learning by doing. Employees are presented with real-world situations that apply to their job – and do their best to solve those hypotheticals yet real-world scenarios. This type of training allows for critical analysis as well as quick thinking. It also may be a better option for employees who struggle with traditional book-and-exam style teaching

- **Continuous development:** Instead of one-off training sessions that take place once a year (or even fewer), there has also been a push for the idea of continuous development, in which employees are continuously investing in their education to become more well-rounded at their job. With technology and other advancements happening so rapidly, the need to keep up with their skills is also essential.
- **Power skills:** Behavioural skills – otherwise known as power skills or soft skills – will also be a priority for companies to address in 2020 and beyond. According to a recent IBM report, behavioral skills dominated the list of core competencies that global executives are looking for from their employees – bypassing technical skills for the first time.
- **Mobile learning:** As smartphone usage continues to overtake desktop users, it may be wise to consider how to move employee training and development to this mobile-first space. Using or creating a mobile app for training will allow employees to access the material whenever they want on their phones. It can also lend itself to more engaging and interactive learning experiences.

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2.20 CHAPTER SUMMARY

Human resource planning is the continuous process of systematic planning ahead to achieve optimum use of an organization's most valuable asset—quality employees. Human resources planning ensures the best fit between employees and jobs while avoiding manpower shortages or surpluses.

Human resource planning allows companies to plan so they can maintain a steady supply of skilled employees. That's why it is also referred to as workforce planning. The process is used to help companies evaluate their needs and to plan to meet those needs.

New employees must be provided with information as to the purpose, direction, and values of the organization. This allows new starters to put their role into perspective and feel part of the business as a whole, which encourages positive contribution to the overall company goals and vision.

The induction process helps the employee understand the company culture and values and allows the employer to set clear expectations regarding performance and conduct.

Once an employee has been inducted into the workplace it will be easier for the employee to adjust and adapt to the expectations, goals, and values of the Company.

Most employees have some weaknesses in their workplace skills and human relations skills. A training program allows you to overcome those weaknesses by strengthening the skills of each employee. A development program strengthens all employee's skills allowing the organization to become a smarter workplace, helping your organization grow!

We work with you to help you develop your overall training strategies. We utilize adult learning principles by helping you set clear goals, prepare reasonable timelines and give time to apply new learnings along the way.

*PROCESS
OF HUMAN
RESOURCE
PLANNING*



2.21 REVIEW QUESTION

SHORT ANSWER TYPE QUESTION

1. What are the roles of the Human Resource Manager?
2. What do you understand about Training and Induction?
3. Explain any one benefits of Human Resource Planning.
4. How many methods include in training?
5. Explain Training.

LONG ANSWER TYPE QUESTION

1. Explain the Importance and Benefits of Human Resource Planning.
2. Define the Process of Human Resource Planning.
3. Explain the importance and benefits of Training.
4. Training needs identification to explain.
5. What is training evaluation and what are the recent trends in training?

2.22 MULTIPLE-CHOICE QUESTIONS

1. Human Resource Planning is a strategy for the acquisition, utilization, _____ and _____ of an organization's human resource.
 - a. Improvement and Preservation
 - b. skills and money
 - c. Determination and power
 - d. knowledge and training.
2. Human Resource Planning helps in achieving _____ goals.
 - a. National
 - b. Individual
 - c. Organisational
 - d. All of the above
3. Both _____ and _____ are essential parts of job analysis
 - a. Skills and knowledge
 - b. Job description and Job specification.
 - c. Training and Induction
 - d. None of the above
4. The objective of the training is to develop specific and useful knowledge _____ and _____.
 - a. Resource and Manpower
 - b. Qualifications and qualities
 - c. Skills and Techniques

- d. None of the above.
- 5. **Reduced supervision and Less amount of wastage are advantages of _____.**
 - a. Training
 - b. Induction programme
 - c. Job description
 - d. Selection
- 6. **The employee learns by doing in _____ method of Training.**
 - a. Off-the-job
 - b. On-the-job
 - c. Both a and b
 - d. None of the above
- 7. **Coaching and Mentoring and Job Rotation comes under _____ method of Training.**
 - a. On-the-job
 - b. Off-the-job
 - c. Both a and b
 - d. None of the above
- 8. **Training evaluation enables the _____ of an investment in training to be appraised.**
 - a. Effectiveness
 - b. Qualities
 - c. Skills
 - d. Resource
- 9. **Roleplaying and lecture methods are _____ training method.**
 - a. On-the-job
 - b. Off-the-job
 - c. Both a and b
 - d. None of the above
- 10. **Mobile Learning is _____ in training.**
 - a. Advantage
 - b. Importance
 - c. Recent trends
 - d. All the above

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PERFORMANCE MANAGEMENT AND COMPENSATION MANAGEMENT

STRUCTURE

- 3.1 Learning objectives
- 3.2 Introduction
- 3.3 Meaning, Need and Objectives
- 3.4 Performance Appraisal
- 3.5 Methods of Performance Appraisal
- 3.6 Uses of Performance Appraisal
- 3.7 Limitations and Challenges of Performance Management
- 3.8 Compensation: Definitions and Concepts
- 3.9 Objectives of Compensation Management
- 3.10 Principles and Techniques of Wage Fixation
- 3.11 Meaning/Definitions of Job Evaluation
- 3.12 Job Evaluation Methods/Techniques
- 3.13 Problems of Job Evaluation
- 3.14 Merit Rating
- 3.15 Wage Incentives
- 3.16 Bonus
- 3.17 Chapter Summary
- 3.18 Review questions
- 3.19 Multiple choice questions



3.1 LEARNING OBJECTIVES

At completing the unit, student will be able to understand:

- What is Performance.
- The methods of performance appraisal.
- Limitations.
- Challenges in executing Performance Management.
- Meaning of Compensation.
- How to evaluate compensation of an employee.
- Concept of Wages, Incentives and Bonus.
- Evaluation techniques involved in merit rating.

3.2 INTRODUCTION

Performance management includes activities to ensure that goals are consistently being met in an effective and efficient manner. Performance management can focus on performance of the organization, a department, processes to build a product or service, employees, etc.

Performance management can be defined as the development of individuals with competence and commitment, working towards the achievement of shared meaningful objectives within an organization which supports and encourages their achievement.

Michael Armstrong have defined performance management is a strategic and integrated approach to delivering sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors.

Performance assessment has a long history based on comparative judgements of human worth. In the early part of the 19th century, for example, Robert Owen used coloured wooden cubes, hung above work stations, to indicate the performance of individual employees at his New Lanark cotton mills in Scotland. Various merit ratings were represented by different coloured cubes which were changed to indicate improvement or decline in employee performance.

3.3 MEANING, NEED AND OBJECTIVES

Performance Management – Meaning: Suggested by Armstrong, Baron, Pointon and Ryan Some of the authorities recently have used the expression ‘performance management’ in the place of traditional employee evaluation/performance appraisal. It is described as a systematic and strategic approach to ensuring that employees’ performance, as individuals and team members, enables the organization to achieve competitive advantages by producing the level and quality of products and services that lead to customer satisfaction, and, thereby, the achievement of objectives and the ultimate realization of strategy.

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A strategic and integrated approach to delivering sustained success to organisations by improving the performance of the people who work with it, and by developing the capabilities of teams and individual contributors. – Armstrong and Baron, 1998

Performance management (more accurately forms of performance related pay) has formed a key activity for managers and management in the quest to increase the benefits gained by the application of labour power. – Pointon and Ryan, 2004.

Performance management is a process that enables the workforce by way of creation of an environment in which they can perform to the best of their abilities. Performance management begins with describing a job. Performance appraisal is often used as an alternate term to performance management. The process ends when an employee leaves an organization.

According to Ronnie Malcom – ‘Performance management may be defined as a planned and systematic approach to managing the performance of individuals ensuring their personal development and contributing towards organisational goals.’

According to John Storey – ‘Performance management includes the whole cycle of agreeing goals and objectives (which may vary in their degree of specificity), providing feedback, offering coaching and advice and motivating staff to perform at a high level.’

Need of performance management

1. It Provides a Look into the Future

By consistently monitoring and managing workplace performance, leaders can see potential future problems. Like with any type of issue, early detection is key. The earlier problems are confronted the less effect that they will likely have.

For instance, if the company notices that a certain employee is not a team player, they can either move that employee to a position that does not require teamwork, provide training to that employee revolving around teamwork, or let that employee go before it becomes a problem. By acting before the potential problem becomes an actual problem, the organization can prevent unnecessary trouble.

2. Helps Create Development and Training Strategies

As mentioned above, the earlier a problem is detected, the better. One of these problems could be that employees do not know how to perform certain processes correctly. If this continues, the organization might fall apart due to oversight. However, with performance management, this would probably be detected. The organization could then create training programs to change the issue into an opportunity for improvement.

3. Provides Clarity in the Organization

It is a common problem that many employees are unsure of what exactly their role entails, what is expected of them, and who they are to report to. Through performance management, the company can make all of this very clear. A lack of

understanding often leads to a lack of productivity. Therefore, by providing clarity for employees, the result will often be increased productivity and confidence.

4. Provides the Opportunity for Exchanging Feedback

A lack of communication in a relationship is grounds for trouble, and this includes working relationships. Quite often, management speaks to employees about their performance, but employees do not very often get a chance to voice concerns or frustrations. Effective performance management provides an avenue through which both the employer and the employee exchange feedback. In addition to gaining insight, employees often feel much more valued when they can voice their thoughts.

5. Increases Employee Retention

Performance management also encourages organizations to reward and recognize their employees. Lack of recognition is a big reason some employees leave a job and look for another. They want to be appreciated for their hard work. In addition to the clarity, the ability to share feedback, and the additional training when needed, rewards and recognition can play an important role in employee retention.

6. Boosts Employee Engagement

Performance management, when it truly involves employees, will boost employee engagement. When there is a disconnect between management and employees, it is almost as though employees are just going through the motions of the day. Their position becomes merely a job as opposed to a rewarding career. However, performance management has the capability of engaging employees fully and making them feel invested in the company. This leads to job satisfaction and employee loyalty, all of which increase productivity.

It is imperative that you and the other leaders in your organization acknowledge the importance of performance management. By avoiding it, you are setting yourself up for disaster. Meet with your human resources department and other leaders to put a performance management plan in place. You might consider asking employees for feedback on what they feel should be addressed. Though it may take some time to put together, investing your resources into developing an effective performance management strategy will be well worth the effort.

7. It encourages employee recognition and reward

Most businesses tend to neglect the importance of recognizing and rewarding their employees. Doing that can be greatly disastrous to your organization. According to a survey carried out by American Express, a third of top businesses believe that recognition and reward lead to higher staff retention, with half also attributing better motivation to giving incentives.

Effective recognition and reward systems can only work in organizations where there is a visible and accurate process of discussions and performance feedback. With continuous performance management, the management can identify efforts





and activities worthy of encouragement and reward. Consequently, this drives a development mindset among members of your team.

Managers can use a continuous performance system to identify employees that go above and beyond for the company. It makes it easier for them to track progress in terms of personal development and business goals and execute informed decisions concerning additional incentives, like bonuses or pay-rises. Good reward systems are highly important for staff satisfaction and happiness.

Below are a few essential statistics you may want to consider:

- Companies that implement meaningful reward systems enjoy as much as a 50% increase in their employee engagement.
- 68% of employees will put in more effort if they're aware that their input is appreciated and valued.
- 84% of workers working in organizations with great recognition and reward systems say they are satisfied with their position.

8. It helps in boosting employee productivity and engagement

One remarkable benefit of an engaged workforce is that they stay longer, actively contribute to the company, and deliver better results. Enhancing levels of staff engagement are paramount to maximizing ROI and boosting productivity. Excellent performance management is a great tool for having an engaged workforce. The burning question, however, is how to utilize performance management to increase levels of staff engagement?

Performance management typically creates an ongoing interaction and an atmosphere of encouragement, support, and trust. It also assists in developing a relationship between the company and its employees. If members of the staff know that their employer and the organization cares about their efforts and is committed to assisting them in doing more and advance their career – the odds are very high that they will want to engage better with the business.

Let us consider an organization where the manager only discusses with the workers once a year concerning their progress. The result would be that the staff are not in tune with the direction of the team or organization as a whole. But on other hand, when a business has an ongoing engagement with the staff, encouraging them to advance in their career, and setting targets that help them grow and develop, there is a sincere commitment and higher chances of genuine efforts towards the growth of the business.

9. Helps to enforce goal setting and achievement

A good performance management system helps employees to understand the goals of the company and what they are expected to do to achieve these goals. This means they understand how their contributions affect the overall growth of the business.

Thus, performance management will help in business and executive goal setting. Aligning the whole of your teams with higher organizational goals sets conspicuous

priorities and direction, ensuring that individuals have a beneficial sense of ownership in the business via personal objectives.

10. It offers mentoring for increasing performance

The ultimate aim of performance management is to improve performance. It will help managers to devise ways through which they can increase performance while providing the opportunity to talk about career prospects and direction. In all, it will help the executive manager and/or HR manager to provide additional mentoring and training which will be useful in developing criteria for promotions.

The major objectives of performance management system are enlisted below:

1. To emphasise on career planning and future growth opportunities for employees;
2. It is ensured to raise the efficiency and productivity of employees;
3. To encourage belongingness, team spirit and devotions among employees with the job;
4. To provide feedback about HR planning and potentialities to implement the planning facts;
5. To identify systematically the need and requirements of some learning and training aspects;
6. To promote better and high work culture in the organisation;
7. To focus more on systems approach to perform appraisals rather than to make any formalities;
8. To foster a positive relationship between managers and employees through a two-way communication process;
9. To appreciate, recognise and to give reward and compensate employees for achievement of performance objectives successfully in a more objective, transparent and justified way.

3.4 PERFORMANCE APPRAISAL

In every organization there is need to understand the abilities of the employees to perform and grow, performance appraisal acts as a tool to check the development opportunities for the employees. It is a systematic evaluation of the work performed by the employees.

The ways of performance appraisal include:

- The pay of employees is compared with the target given to them and the plans on which they act during daily work routine.
- The factors which are responsible for the performance of employees is analysed by the supervisor.
- Further the better ways to improve the performance are suggested to the employees.

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*PERFORMANCE
MANAGEMENT
AND
COMPENSATION
MANAGEMENT*



Performance Appraisal Meaning and Definition

- **Definition:** Employee performance appraisal system is defined a process in which a predefined standard of factors such as work knowledge, work performance, work attitude, leadership quality, team player behaviour, consistency, decision making abilities and skills is created and then actual performance as well as personality of employee is compared with these expected standards by the organization.
- **Meaning:** A performance appraisal used in the organization is a regular review of employee's performance to verify their contribution to the company. It is also known as annual review or performance evaluation. It evaluates the skills, growth, achievement or failure of the employees. The performance appraisal is often used to justify the decisions related to promotions, pay hike, bonuses and termination of employee.

3.5 METHODS OF PERFORMANCE APPRAISAL

1. Management by Objective (MBO)

In this method, managers and employees work together to identify, plan, organize, and communicate goals for success. The manager identifies the desired objectives to be achieved, giving the employee a major area of responsibility in terms of the results that are expected from him or her. Over regular touchpoint meetings, the manager and employee discuss the progress made. The employer can then use these measures of progress as a guide to measuring the contribution level of the employee.

While useful in determining rates of productivity, this process usually emphasizes career-oriented and tangible goals. Therefore, intangible aspects of an employee's performance such as their interpersonal skills or job commitment often go ignored.

2. Behaviourally Anchored Rating Scale (BARS)

This method is often thought of as being the most effective, as it succeeds in bringing out both the qualitative and quantitative benefits of the performance appraisal process. In the Behaviourally Anchored Rating Scale (BARS) system, the employer compares employee performance with specific behavioural examples that are anchored to numerical ratings.

Because this method accesses both quantitative and qualitative forms of measurement, while also incorporating intangible qualities of employees into the rating system, BARS succeeds in providing clear standards, improving feedback, and providing accurate performance analysis and consistent evaluation. Its primary drawback is, like most other performance review methodologies, when done manually it poses the risk of being skewed by distortions caused by bias.

3. Critical Incident Method

In this method, an employer evaluates an employee based on certain events, known as "critical incidents", in which the employee either succeeded tremendously or failed in any given task. Throughout the process, the evaluator maintains a digital

or physical journal in which they store the information from the different incidents.

This process, though manually demanding, is useful for the individual growth of employees. By keeping detailed records of both the positive and opportunity area milestones of an employee's career trajectory, employers can give detailed information in their feedback, improving the chances of development in the future. These metrics can be readily reviewed during the scheduled progress / 1:1 meeting.

4. Assessment Centre Method

This performance appraisal method assesses employee performance in social-related situations. Employees are asked to take part in situational exercises (in-basket exercises, workgroups, simulations, role-playing exercises, etc.) that aim to highlight their potential success in various roles and bearing various responsibilities.

While this process is useful in giving insight into the employee's personal characteristics that can influence their success (i.e., ethics, tolerance, problem-solving skills, judgement, introversion or extroversion, adaptability, collaboration, etc.), it can also result in unhealthy competition between workers. Also, it has the potential to bear adverse effects on low performers due to the social nature of the testing.

5. Psychological Appraisals

This method is particularly useful when determining the hidden potential of employees because it focuses on evaluating an employee's future performance rather than the results of their past work. In this performance appraisal method, qualified psychologists conduct a variety of tests on employees, including in-depth interviews, psychological tests, and private discussions. These tests aim to identify an employee's emotion, intellect, and other related traits that could affect their future performance in an organization.

Although this method is thorough and insightful, it can evidently be a slow, complex, and costly process. Further, the quality of the results hinges upon the psychologist who administers the procedure and a variety of external influencers that may affect the employee during testing (e.g.; personal stress related events), so results can sometimes be inconsistent.

6. Human-Resource (Cost) Accounting Method

The cost accounting method involves the analysis of an employee's performance through the monetary benefits they yield to the company. This measurement is usually obtained by comparing the cost of retaining an employee to the monetary benefits (contributions) the organization has ascertained from that specific employee.

This performance appraisal method considers many factors, including unit-wise average service value, quality, overhead cost, interpersonal relationships, and so on. However, its high dependency on the quality of cost and benefit analysis, as well as the memory power of the reviewer, is its primary drawback.





7. 360-Degree Feedback

A common industry discussion is that the annual performance appraisal method is outdated and no longer useful. Workers need ongoing communication with team leaders and managers, and continuous feedback processes like 360-degree feedback, to stay motivated and interested in learning from the results of their performance appraisals.

In the 360-degree feedback method, multiple ratters are involved in evaluating the performance of an individual. The feedback of the employee is collected by all agents within the organization who interact with him or her, including superiors, peers, subordinates, and even customers. Usually, this feedback is collected by an online questionnaire designed specifically for this purpose. When every employee in an organization appraises their managers, peers, customers, suppliers, and takes part in regular self-evaluation, it ensures effective performance analysis with diverse levels of transparency.

3.6 USES OF PERFORMANCE APPRAISAL

In many organisations, an appraisal system assists in achieving numerous goals. However, in few firms' performance appraisal is used in measuring and improving individual as well as organisational performance. The most common issue with performance appraisal is that a lot is expected from one form of performance appraisal system plan. For instance, a plan that is strategically designed to improve and develop employee skills may not be used in deciding wage increases. Although, if an appraisal plan is well designed it can be used in accomplishing the set objectives as well as performance.

- **Human Resource Planning:** It is important to record data/information of employees in a firm so that it is easy to identify the potentials of who deserves to be promoted or have any area to improve. Performance appraisal also helps in revealing if there is insufficient number of workers. An appraisal system should be designed and planned after considering the strengths and weaknesses of the HRM of the organisation.
- **Recruitment and Selection:** Through the process of performance analysis, organisations can determine the performance potential on an applicant. Studies show that successful employees display specific behavioural traits while performing tasks. The data processed through performance evaluation help in setting standards for behavioural interviews. In the process of selection, the employee rating can also be used as a variable against which test scores are compared.
- **Training and Development:** Training and development is crucial for any employee as it acts as way to communicating what is expected and how. Performance appraisal helps in drawing attention to these specific needs of training. For example, if an employee's job involves the skill of creative writing and by the process of evaluation it reveals that he or she lacks in it or has poor knowledge about it, the employee will need appropriate training sessions. When managers of a firm lack the capability

of administering disciplinary action, they need the necessary training to deal with this problem. Hence, identifying deficiencies and obstacles can be overcome by training and development sessions which develop and improve individual's skills allowing them to perform better. An appraisal process does not train and develop individuals but determines the training needed by providing data.

- **Career Planning and Development:** Career planning can be described as a never-ending cycle in which an individual sets profession goals and means to achieve them throughout his or her lifetime. However, career development is a more formal approach used by organisations. It involves recruiting suitable qualified and experienced people when required. Performance appraisal can determine an employee's potential through assessing its weaknesses and strengths. The data is also useful to counsel junior staff member and assisting in career plans.
- **Compensation Programs:** Performance appraisal evaluations help in making decisions dealing with wage or salary regulations. It is believed that organisations should reward employees with increase in pay when excellent performance is achieved. In order to increase performance, an organisation should implement well planned and designed performance appraisal systems and award the efficient workers. This not only increases performance but also keeps employees motivated to achieve better in future.
- **Internal Employee Relations:** Performance appraisal evaluation can provide crucial information used in making decision about the internal employee relations i.e promotion, demotion, transfers and dismisses etc. For example, performance appraisal data are also used for decisions in several areas of internal employee relations, including promotion, demotion, termination, layoff, and transfer. Also, an employee's performance in one job may be useful in determining his or her ability to perform another job on the same level, as is required in the consideration of transfers. When the performance level is unacceptable, demotion or even termination may be appropriate.
- **Assessment of Employee Potential:** Some organizations attempt to assess an employee's potential as they appraise his or her job performance. Although past behaviours may be a good predictor of future behaviours in some jobs, an employee's past performance may not accurately indicate future performance in other jobs. The best salesperson in the company may not have what it takes to become a successful district sales manager, where the tasks are distinctly different. Similarly, the best systems analyst may, if promoted, be a disaster as an information technology manager. Overemphasizing technical skills and ignoring other equally important skills is a common error in promoting employees into management jobs. Recognition of this problem has led some firms to separate the appraisal of performance, which focuses on past behaviour, from the assessment of potential, which is future-oriented.





3.7 LIMITATIONS AND CHALLENGES OF PERFORMANCE MANAGEMENT

Limitations of performance management

1. Lengthy and complex:

In performance management it is suggested that the managers spend about an hour with each employee to evaluate their performance; so, if the company or team consists of a large number of people, the process of performance appraisal becomes extremely hectic and difficult. It will take long hours to evaluate the whole department's PA; then there has to be hours of discussions in the meetings to get solutions for the difficulties and errors of the employees.

2. Become a hindrance in the employee's progress:

Sometimes the experience of performance management is unpleasant and stressful; it becomes an obstacle to the progress of the employee. The managers may discourage and dissuade the employees through performance management if overemphasize is done on the errors and mistakes of the employees and the achievements and often overlooked. Then the employees will feel that they are not given enough due for their hard work, their achievements; the company only highlights their failures without praising them for their achievements.

Always performance management should be a process of constructive support, encouragement and a celebration of the achievements; the mistakes and errors should be subtly pointed out and solutions also should be provided to the employees.

3. Contradictory and misleading opinions in the performance management file:

Often the situation is that the manager is insincere and does not keep proper records and notes on the performance of the employees; this will create a gap between the actual performance of the workers and the report of the manager.

The manager will make the wrong performance management reports; this will create contradictory and misleading performance management reports of the employees by the company. It is important that performance appraisals and documentation are done timely and regularly; so that a faulty appraisal can be avoided. So, one of the disadvantages of performance appraisals is that a faulty review in appraisal can turn out very negative for you.

4. Partialities and favouritism:

The company managers are often partial and favouritism is also practiced; this hampers the process of performance management. This partiality can be counted as a benefit of performance management or during this process. Hence to keep away partiality from the PA is difficult as it is solely dependent on the senior and manager to remain impartial and unbiased to conduct a proper Performance appraisal. A faulty performance evaluation is the outcome of a manager who has preconceived notions and evaluates the performance of employees based on biases.



5. Flawed conditions and standards:

Many companies commit errors while creating the guidelines and directives of evaluating the performance of their employees; these faults will make the performance management system of the company insignificant and meaningless.

Standards which do not properly reflect the actual performance of the workers are futile. Thus, if the system tracks the goods without evaluating the quality of the products, then the whole thing is rendered meaningless. If there are any norms or conditions that allow the employees to take unethical advantages and achieve success; then the performance management is ineffective and the company will suffer a set-back for this.

6. Employees may suffer from low self-esteem:

The ethical workers may be frustrated and lose their sense of worth when working under a faulty performance management system; and where unethical means are undertaken to succeed. Even when the company's performance management is mostly unbiased; if the unethical employees achieve more success than the real hard workings ones; then people will get disillusioned and lose their faith in the Company.

7. Demeaning the communication system between employer and employee:

Performance Management involves a two-way communication system between the employers and the employees. So, if the managers neglect the evaluations and are irregular in doing the performance evaluations then it will have a negative effect on the performance history of the employee and also his career success; if the employee feels that over-emphasis is given on his mistakes and errors and his achievements are overlooked; then he will lose the incentive to work hard and progress.

Also, too much praise and celebration for success will also make the workers arrogant and over-confident; so, a balance should be created and the company should function accordingly. Negative and positive performance reviews should be given in a sensible way; so that neither the worker is over-whelmed nor over-stressed; negative reviews should be given in a controlled fashion so that the emphasis is on improving the employee performance and not on rebuking him as a child is rebuked by the elders.

The focus of evaluation should always be to ensure the development of the company and progress of the worker, so supervision should be given to the employees by the managers to avoid errors and solutions should be clarified if the requirement arises.

8. Deficient in management expertise:

In spite of giving enough thought and time to the directives of the company; they often have some drawbacks and when the rules are implemented in reality the negative aspects come to the fore. This happens due to the lack of management commitment and management understanding.



The way to be successful in implementing effective performance management requires the sponsor of top Management workers and Line Management workers; so that the workers feel that the company is committed to the benefits of the employees only. Also, bonuses and incentives should be there in all organizations to encourage the employees for hard work and growth of the company.

Challenges of performance management

The basic objective of performance management is to develop and improve the performance effectiveness of team members. The manager and the team member work together to plan, monitor, review and appraise the latter's work objectives and overall contribution to achieving the organization's goals. Various types of tools are used in this process, ranging from traits based or behaviour based to result based. Both formal and informal communications are used to provide feedback. The feedback could be regular or irregular. A lot of time and energy is spent in getting the goals and measures right, reviewing performance, and appraising it. However, things could go wrong and the required effectiveness of employee performance is not obtained. Some of the major challenges in managing performance could be as follows:

1. Wrong Design

The performance management system and tools must fit with the specific needs of the organization. It cannot be a duplication of a system designed and implemented in another organization, even an organization in the same industry or the same business group. Intense consultation with various stakeholders and users of the system is necessary. User trust is an absolute necessity for the success of the system. The design should be tried out on a pilot basis before it is rolled out to the organization as a whole. All documents and forms must be in place. The system should be fair and equitable. Performance management should be viewed as a continuous process and not an activity conducted once or twice a year. The design should also include mechanisms for rewarding performance and handling poor performers.

2. Absence of Integration

The performance management system has to be integrated with the strategic planning and human resource management systems as well as with the organizational culture, structure and all other major organizational systems and processes.

3. Lack of Leadership Commitment

Leadership commitment and support is a must for smooth implementation of the system. Leaders must drive the process and make performance management an integral part of the management of the company. Leaders contribute not only in setting the strategic direction and performance measures but also in monitoring and reviewing performance across the organization. They also reinforce the performance cycle by recognizing and rewarding performance.

4. Ignoring Change Management in System Implementation

Strategic management of change is a vital part of implementing the system. Driven

by the top management, it involves careful management of resistance. Communication would be a major intervention and a key tool in managing the change. Implementation milestones and schedules must be followed. Proper documents must be in place.

5. Incompetence

Competence to use the performance management system is necessary to ensure smooth implementation of the system. Some of the major skills would include:

- Defining strategic objectives, performance indicators, core competencies and performance contracts
- Defining performance measures that correspond to the KPIs
- Giving and taking feedback, conducting appraisal interviews, and active listening
- Performance coaching

The focus would be on designing and implementing training and development interventions that would help in developing the competence of various job holders. Special emphasis would be on building the behavioural dimensions of performance.

CHECK YOUR PROGRESS

1. What is the need of performance management in an organization? Discuss.
2. Explain challenges of performance management.
3. Discuss any three limitations of performance management.
4. Describe any two uses of performance appraisal.
5. What is performance appraisal? Explain.

3.8 COMPENSATION: DEFINITIONS AND CONCEPTS

Meaning

Generally, the term compensation refers to compensating any damage, loss or mental harassments, wages or salaries as reward for physical and/or mental efforts to perform any agreed task or job. But the concept of equity in remunerating any work or task has forced us to perceive wages and salaries as compensation, because people work efficiently only when they are paid according to their worth or feel satisfied with the remunerations.

Besides basic salaries or wages, companies are forced to view the benefits and services to justify the positional and esteem needs of employees and to provide adequate cushion for inflations. Though the cost of human resources is estimated at between 2% to 20% of the operating cost (depending upon the type of industry), to retain the employees or to avoid job-hopping, some of the industries are even forced to adopt varying scales and benefits.





Definitions and concepts

Wage and Salary administration have some terms which need to be defined before understanding the processes involved.

1. **Wages:** According to the Indian Labour Organization (ILO) wages are defined as, the remuneration paid by the employer for the services of hourly, daily, weekly and fortnightly employees". Wages are remuneration paid to the blue collared employees in companies.
2. **Salary:** Salary is the remuneration paid to the white collared employees - mainly clerical and managerial staff of a company. The salary is paid on a monthly basis to the employees.
3. **Earnings:** The total amount of money received by a person as a remuneration is called as Earnings. Earnings include heads like Dearness Allowance, pay (monthly rate), house rent allowance, other allowances, benefits etc.
4. **Nominal Wage:** Nominal wage means wage paid in monetary terms.
5. **Real Wage:** Real wage is the wage which is arrived at after discounting the nominal wage by the living cost. It is the purchasing power of the wage.
6. **Take Home Salary:** It is the salary left after mandatory deductions are made from the salary like Provident Fund, Employee Insurance etc.
7. **Minimum Wage:** It is the minimum wage prescribed by the government to be paid to workers which should be sufficient for them to live a proper life. The statutory minimum wage is fixed according to the provisions of the Minimum Wages Act 1948.

3.9 OBJECTIVES OF COMPENSATION MANAGEMENT

The objectives of compensation management are as follows -

1. **To recruit and retain qualified, competent personnel:** Compensation which is competitive with the industry will attract qualified and competent people in the organization. If an organization is most preferred organization; it would succeed in creating a stable knowledge bank with trained staff at high performance levels.
2. **To achieve internal and external equity:** Internal equity is achieved when similar jobs are compensated in similar manner within the organization and external equity is achieved when similar jobs are paid in similar manner as in other organizations.
3. **To ensure desired behaviour:** Compensation and rewards reinforce good behaviour and also promote employee engagement. Compensation helps employees feel a belongingness towards the organization.
4. **To control Labour and Administrative Costs:** The objective of compensation management is to control labour and administrative costs and keep them in line with the ability of the organization to pay these costs.
5. **To become Progressive Employers:** An employer would be called progressive only when their salaries and wages are as per the industry standards. When an organization works positively towards collective bargaining and good wage administration practices; they become employee friendly which in turn makes the

organizational culture attractive to others.

6. **To facilitate pay roll process:** Compensation management aims to smoothen, the pay roll process by ensuring understanding of all compliances required for payroll.

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3.10 PRINCIPLES AND TECHNIQUES OF WAGE FIXATION

Principles of Wage Fixation

1. The wages should be determined keeping in mind the inflation. When wages are fixed for a period of more than one year; it should take into account inflation rate while fixing incremental values. This will facilitate preserving of the real wage/income while also protecting the labour against inflation.
2. Wages should be determined based on labour productivity. Although, a frequent argument surfaces with respect to technological advancement and labour productivity; it is a factor which should not be ignored economically.
3. Capacity of the business to pay the promised wages should be taken into account before making a commitment.
4. Wages should be comparable with industries similar in nature. If the wages are not competitive then there is a threat of high labour turnover. A high labour turnover will bring with it higher costs of acquiring and training new labour.
5. Unions play a major role in bringing pressure on the management to get desired wage rates. Trade unions pressurize management through collective bargaining strategies, political tactics, strikes etc. and their reasons to argue are usually based on the rate of inflation, comparable wages in the industry, government regulations etc.
6. Government legislation also influences wage fixation and the two important acts which are referred are the Payment of Wages Act, 1936 and Minimum Wages Act, 1948. The stipulations of the Acts need to be strictly followed by the factories and these acts cover all aspects related to the employer and employees.
7. Different job evaluation techniques are used by the management to group similar jobs; study the scope of the job; efforts and time required by the job and skills required to perform it.

Techniques of Wage Fixation

There are certain norms for fixation of wages in any industry. Based on the Indian Labour Conference of 1957, following things should be considered while fixing of wages:

1. A standard working-class family of 2 adults and 2 children should be taken into account. While calculating earnings; it should be considered that this is the only earning member of the family.
2. As per the work of the nutritionist Dr. Akroyd; the standard calorie consumption for an average Indian adult should be considered at 2700 calories. Similarly, the average clothing requirement is taken at 16.5 meters per person per annum.
3. Rent has to be considered by the standards of rent charged by the Government for subsidized housing schemes for low-income groups.

*PERFORMANCE
MANAGEMENT
AND
COMPENSATION
MANAGEMENT*



4. Other miscellaneous expenses like fuel, electricity, transportation etc. have to be considered as 20% of the minimum wage.

3.11 MEANING/DEFINITIONS OF JOB EVALUATION

Job Evaluation is the method followed to establish the value or worth of a job. According to the International Labour Office (ILO) “Job evaluation is an attempt to determine and compare the demands which the normal performance of a particular job makes on normal workers, without taking into account the individual abilities or performance of the workers concerned”.

Wendell French defines job evaluation as “a process of determining the relative worth of the various jobs within the organization, so that differential wages may be paid to jobs of different worth. The relative worth of a job means relative value produced. The variables which are assumed to be related to value produced are such factors as responsibility, skill, effort and working conditions”.

Job evaluation provides a foundation or base to develop a job hierarchy and fix the pay structure. It starts with job analysis and then towards job description and specifications.

Objectives of Job Evaluation

1. To determine the relative worth of the different jobs in the organization.
2. To gather data and information related to job description, job specifications and employee profiles in the organization.
3. To compare the duties, responsibilities and tasks pertaining to a job with other jobs in the organization.
4. To determine the hierarchy of various jobs and to place these jobs accordingly in the hierarchy of the organization.
5. To rank jobs as per their criticality.
6. To ensure that all workers get fair and equitable wages based on the relative worth of jobs.
7. To ensure that there is no wage discrimination based on gender, age, social status, caste, religion, etc.

Principles of Job Evaluation

Following principles are followed in the process of job evaluation.

1. Rating should be done based on the job and not employee. Considering employee would give way to biases.
2. Rating elements should be easy to understand for everyone.
3. All employees and their supervisors should be educated of the standards to be used in job evaluation and take their inputs into consideration.
4. Supervisors and employee suggestions should be limited to the job rating and not to the assignment of money to the ratings.

5. Group similar jobs and create as less occupational heads as possible.

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Procedure for Job Evaluation

The Indian Institute of Personnel Management has suggested the following steps for job evaluation:

1. **Analyse and prepare Job Description:** The process of job evaluation starts with job analysis. Job Analysis is a study of Job Description and Job Specifications. Job Description is the description of the tasks involved, duties and responsibilities of the job while Job Specifications are the knowledge, skills, abilities and aptitude required to perform the job.
2. **Select and prepare a Job Evaluation Plan:** The job has to be divided into small, detailed tasks. These tasks then have to be analysed for the elements which are needed to perform each task and the money value of each element has to be determined.
3. **Classify Jobs:** Classify the jobs based on their importance and contribution to the organization. Assign a money value to each class.
4. **Implement the Programme:** Training or educating the employees will help in gaining their confidence and facilitate the process of implementation.
5. **Maintain the programme:** The job evaluation programme needs to be updated from time to time as the nature of business is dynamic and the tasks performed by people will keep on changing. Up gradation will help to have a dynamic wage system in sync with industry standards.

3.12 JOB EVALUATION METHODS/TECHNIQUES

Non-Quantitative Techniques

1. Ranking Method

- a. **Simple Ranking Method:** As the name suggests; this is a simple method where the evaluator compares jobs based on the responsibilities, duties and demands of the job. The degree of importance of the job to the organization is also considered while evaluating it. The evaluator has to appraise the job and not the person performing it.
- b. **Ranking to Key Jobs:** Ranking all jobs in the organization may become a tedious task for the evaluator. Thus, an easy method would be to classify the jobs and select a key job from the group. Evaluating the key job should stand representative for all jobs in the group. Stage wise segregation based on criticality can also help to perform evaluation easily.
- c. **Paired Comparison:** Another solution to the tedious job of all rankings can be paired comparisons. Instead of comparing all jobs to all other jobs; pairs can be made and paired rankings can be produced. This is a comprehensive and logical method as compared to the simple ranking method.
- d. **Single Factor Ranking Method:** The single most important task of the job is compared with the single most important task of another job in this method.



This single task identified is the representative of the entire job for the evaluation purpose. Although simple and easy; these methods have no proven evidence of being a scientific yardstick to measure the job. These methods are appropriate for small organizations and require less time and money to be invested but they do not indicate for sure the extent to which the job is worthy for the organization.

2. Job Classification and Grading Methods

In this method; jobs are divided into classes and grades. A class is a subdivision of the job and the grade is differentiation based on difficulty levels and knowledge required to perform the task. For example; Supervisor, Worker, Manager are all classes of jobs while Grade I Supervisor, Grade II Supervisor, Grade III Supervisor, Grade IV Supervisor are 4 grades of the Supervisor class.

Another example of classes can be Employee Relations Manager, Payroll Manager, Compliance Manager etc. in an HR department. The grades here can be (for Payroll Manager) - Payroll Executive, Senior Executive Payroll, Assistant Manager Payroll, Manager Payroll, General Manager Payroll.

Thus, a class shows different job profiles while a grade shows different difficulty and responsibility levels of the same job. The process of Job classification and grading is as follows:

- a. Define the organizational structure of the company and determine the levels of hierarchy.
- b. Analyse jobs to be done and prepare job descriptions.
- c. Divide the jobs into classes and grades.
- d. Select key jobs and grade them.
- e. Grade remaining jobs.
- f. Assign money value to key grades of jobs first and then to all other grades of jobs.

This method is easy to use and considers a proper hierarchy of jobs in the organization. It is intricate and takes into account more factors than the ranking method. The main disadvantage of this method is that dividing jobs into grades is a difficult task and requires experienced judgment to do so.

Quantitative Techniques

1. Points Rating Method:

Introduced by Merrill R. Lott; this method is the earliest quantitative method of job measurement. This method breaks the jobs into components to compare them. Each of these components is assigned a numerical value. There are certain factors which affect the performance of a job; like knowledge, skills, responsibilities etc. A point value is assigned to each factor and thus these factors are divided into levels

based on points assigned to each. The process involved in this method is enumerated below -

- a. Create a cross functional team including members from all departments.
- b. Select a sample of jobs and prepare the corresponding job descriptions, job specifications and employee specifications.
- c. Define the critical factors related to all the jobs and determine the degree of their difficulty and criticality of responsibility. Factors like Skill (Education, mental complexity, physical efforts, adaptability), Effort (Physical demands, visual and mental effort, alertness), Responsibility (for inventory, safety, policy enforcement etc.), Job conditions (occupational hazards) etc are considered for this purpose.
- d. A weightage is assigned to each factor relevant to the importance in the job. The weightage is assigned in percentages.
- e. Divide each factor into levels.
- f. Determine the relative value of each level and divide the factors according to geometric or arithmetic progression.
- g. Appraise all the jobs and arrive at a composite numerical value for each job.
- h. Assign a price or monetary value to each level and define a wage structure for that level.

Advantages:

- a. This method helps in arriving at similar wage structures for similar jobs.
- b. Assigning monetary values becomes easy as the weightage are assigned in terms of percentage and it is easy to determine value based on percentage importance of the job.
- c. Wage differences are according to job content and once a value is assigned; it stands for a long time.

Disadvantages:

- a. Determining which factors are important can be a difficult task for some jobs.
- b. This is a complex method which will be difficult to explain to employees and unions.
- c. This method requires a lot of time and money to be invested.

2. Point Factor or Factor Comparison Method

This method uses the principles of points rating and ranking. The following procedure is followed to use the factor comparison method.

- a. The job descriptions and specifications are made. The job is divided into components and sub factors.





- b. The key jobs are identified and broken into components and sub factors.
- c. Ranks are assigned to each sub factor of the job based on its importance and contribution to the job. For example - For a welder job; the importance wise factors may be ranked as 1. Physical requirements, 2. Working conditions, 3. Skill requirements, 4. Responsibility, 5. Mental requirements. This example shows the importance of each factor to the job as per its rank.
- d. A per day money value is determined for each sub factor. The monetary value of each sub factor is arrived at.
- e. Compare all the jobs based on all sub factors of the same grade with related key jobs and establish the monetary values to sub factors based on monetary values of sub factors for key jobs.

Advantages

- a. This is a quantitative method and can also be explained easily to unions, supervisors and labour.
- b. It is reliable and can be explained logically.
- c. This is a fair method to assign money value to jobs and validates the value based on rank of job.

Disadvantages

- a. It is a little difficult to understand due to its quantitative approach.
- b. The method does not consider all the factors of the job due to the magnitude of the jobs.

3.13 PROBLEMS OF JOB EVALUATION

Although it is a widely used concept; job evaluation has certain problems; which are:

- a. Job evaluation cannot be put across as a scientific method.
- b. Most of the methods are difficult to understand and may result in human error if not implemented properly.
- c. The factors and sub factors considered for measurement are not exhaustive and may omit critical factors due to human oversight or error.
- d. The dynamic nature of business with respect to technology, processes etc. causes a lot of changes in nature of jobs which impacts the factors considered for evaluation.
- e. Trade unions and employees may not agree with the calculations arrived at these methods and might not understand the methods itself. This would result in conflicts during wage fixation.
- f. The results of calculations may not match the social conditions of the place and hence not provide competitive wages/salaries.
- g. Despite these limitations; job evaluation is a popular method for wage fixation.

3.14 MERIT RATING



Merit rating is an appraisal system to assess the employee's performance on the job. As defined by James Lundy; merit rating is "the process of evaluating an employee's performance on the job". It is a system to determine the extent of perfection to which an employee does his/her job.

Kimball and Kimball define merit rating as "the evaluation of any given worker as to his fitness for a given job in terms of assigned factors by which he may be intelligently appraised."

Objectives of Merit Rating

- a. Find the value of periodic performance of an employee based on feedback of their supervisor.
- b. Determine the wage differentials existing for the same job based on performance.
- c. Generate correct information to facilitate promotions, demotions and transfers.
- d. Provide a process to evaluate selection and training techniques.
- e. Generates information of employee behaviour and determine need for counselling.
- f. Promote cordial and open employee-superior relationships.

Differences between Job Evaluation and Merit Rating

Job Evaluation	Merit Rating
It determines relative worth of job.	It evaluates performance of employee against job description.
It is basis for designing a wage structure.	Helps in decisions of promotion, transfers and demotions.
Related to wage rates of jobs.	Provides guidelines on performance expectations.

3.15 WAGE INCENTIVES

Wage incentives are simply extra pay given to workers for motivating them to achieve their production or sales targets. These are calculated mainly based on the extent to which targets are met.

According to the National Commission on Labour, "Wage incentives are extra financial motivation. They are designed to stimulate human effort by rewarding the person over and above the time rated remuneration, for improvement in the present or targeted results. "

Objectives of Wage Incentive Plans

1. To improve the overall productivity of the organization by motivating workers to meet production or sales targets.
2. To increase a worker's earnings without putting excess financial load on the organization.



3. To have fair practices of reward for performance through monitoring of targets and providing remuneration based on the same.
4. To promote a performance-oriented culture in the organization.
5. To achieve optimum utilization of manpower and keep the employees engaged in productive activities.

3.16 BONUS

Bonus is an extra payment given to the employees as a share in the organization's profits. It is a gift given to the employees by the employers. The Payment of Bonus Act, 1965 stipulates that for any worker earning less than Rs. 21000 per month is eligible to bonus of minimum 8.33% or maximum 20% of his salary.

Compensation Structure for white collared employees in India Earning

Heads Deduction /feeds Basic PF, DA, ESIC, HRA, TDS, Medical Professional, Tax Conveyance Labour Welfare Fund LTA, Child Education Allowance, Mobile & Telephone Reimbursement, Special Allowance.

The compensation structure of office staff or white collared employees is made up of two major heads. One is the earnings head and the other is the deductions heads. Certain earning and deduction heads are statutory and are regulated by the Government. The table shows an example of salary structure fitment.

Earning Heads	Deduction Heads
Basic	PF
DA	ESIC
HRA	TDS
Medical	Professional Tax
Conveyance	Labour Welfare Fund
LTA	
Child Education Allowance	
Mobile & Telephone Reimbursement	
Special Allowance	

Earning Heads

Basic - Basic salary is as the name suggests; the base pay on which other allowances are calculated.

Dearness Allowance (DA) - Dearness Allowance is a percentage of basic pay and is given as an allowance for inflation. The DA is a factor which balances the inflation and is sometime more than 100% of basic pay.



House Rent Allowance (HRA)- House Rent Allowance is calculated at the rate of 50% of (Basic + DA) for metro cities and at rate of 40% of (Basic + DA). It is an allowance given to the employees as a contribution towards their stay expenses due to their job at the location.

Medical - A medical allowance of not more than Rs. 15000 per annum can be given to the employee divided into 12 parts of Rs. 1250 for each month. This is a non-taxable income of the employee and is provided to meet their medical expenses throughout the year.

Conveyance - A non-taxable conveyance allowance of not more than Rs. 1600/- per month can be given to employees to meet their local travelling expense from their residence to the place of work.

Leave Travel Allowance - Some companies provide a Leave Travel Allowance (LTA) once every alternate year for their vacation with family. A few companies might provide the allowance on actual expense bills and some companies might have a set amount of allowance.

Child Education Allowance - An education allowance to a predetermined amount for 2 children is given by organizations to contribute towards development of the employee's children.

Mobile & Telephone Reimbursement- Mobile and telephone reimbursements are given based on designations and an estimated usage limit of mobile and telephone for official purpose.

Special Allowance - Special allowance is actually a balancing allowance which is a balancing figure in the CTC. It is the difference between the offered CTC amount and the total earnings after deductions.

Deduction Heads

Provident Fund- Provident Fund is the fund stipulated to be given to employees whose salary is less than Rs. 21000/- per month and working in an organization employing more than 10 employees. The Provident Fund is deducted at 12% of (Basic + DA) from the employee's salary.

ESIC - ESIC stands for Employee State Insurance Corporation and is contributed by the employee and employer as regulated by the government. The employee contribution is 1.75% of the gross salary and 4.75% of the gross salary is contributed by the employer.

Professional Tax - Professional Tax is a tax paid to the government for practicing a profession. It is different for different states and in Maharashtra it is charged at Rs. 2500/- per year deducted at Rs. 200 per month. Rs. 300/- is deducted in February to adjust the remaining amount.

Labour Welfare Fund - Labour Welfare Fund is deducted at the stipulated rates by government for every state.



Tax Deducted at Source (TDS) - TDS is the income tax deducted at source of income before the end of financial year. The tax is calculated at the start of the year after deducting investment declaration and the taxable income is determined. Income tax is calculated on this income and is deducted in manageable amounts over a period of 3 to 6 months.

3.17 CHAPTER SUMMARY

Performance management includes activities to ensure that goals are consistently being met in an effective and efficient manner. Performance management can focus on performance of the organization, a department, processes to build a product or service, employees, etc. Performance management can be defined as the development of individuals with competence and commitment, working towards the achievement of shared meaningful objectives within an organization which supports and encourages their achievement.

Michael Armstrong have defined performance management is a strategic and integrated approach to delivering sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors.

Performance Management – Meaning: Suggested by Armstrong, Baron, Pointon and Ryan

Some of the authorities recently have used the expression ‘performance management’ in the place of traditional employee evaluation/performance appraisal. It is described as a systematic and strategic approach to ensuring that employees’ performance, as individuals and team members, enables the organization to achieve competitive advantages by producing the level and quality of products and services that lead to customer satisfaction, and, thereby, the achievement of objectives and the ultimate realization of strategy.

Generally, the term compensation refers to compensating any damage, loss or mental harassments, wages or salaries as reward for physical and/or mental efforts to perform any agreed task or job. But the concept of equity in remunerating any work or task has forced us to perceive wages and salaries as compensation, because people work efficiently only when they are paid according to their worth or feel satisfied with the remunerations.

Besides basic salaries or wages, companies are forced to view the benefits and services to justify the positional and esteem needs of employees and to provide adequate cushion for inflations. Though the cost of human resources is estimated at between 2% to 20% of the operating cost (depending upon the type of industry), to retain the employees or to avoid job-hopping, some of the industries are even forced to adopt varying scales and benefits.

Job Evaluation is the method followed to establish the value or worth of a job. According to the International Labour Office (ILO) “Job evaluation is an attempt to determine and compare the demands which the normal performance of a particular job makes on normal workers, without taking into account the individual abilities or performance of the workers concerned”.

The chapter deals with various aspects of compensation management. It covers wage

fixation techniques which are quantitative and non-quantitative. Wage incentives play a motivating role for the workers and increase productivity. The chapter also explains the compensation structure that is used in industry for salary fitment.

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3.18 REVIEW QUESTIONS

SHORT ANSWER TYPE QUESTIONS

1. Describe what is a Performance Management System?
2. Explain the traditional methods of performance appraisal.
3. Explain Compensation.
4. Discuss the norms of wage fixation.
5. What is the difference earning heads of a salary structure? Explain.

LONG ANSWER TYPE QUESTIONS

1. Explain the deduction heads of salary structure.
2. Write brief note on different job evaluation methods.
3. Distinguish between Performance Appraisal and Performance Management.
4. Explain compensation objectives.
5. Describe briefly the modern methods of performance appraisal.

3.19 MULTIPLE CHOICE QUESTIONS

1. _____ is the income tax deducted at source of income before the end of financial year.
 - a. TDS
 - b. TSD
 - c. STD
 - d. None of the above
2. Income tax is calculated on this income and is deducted in manageable amounts over a period of _____ months.
 - a. 5 to 6
 - b. 4 to 5
 - c. 3 to 6
 - d. 8 to 9
3. _____ have defined performance management is a strategic and integrated approach.
 - a. Neil Armstrong
 - b. Michael Armstrong
 - c. Stuart Daniel
 - d. Ryan



4. Labour Welfare Fund is deducted at the stipulated rates by _____ for every state.
 - a. Government
 - b. Hospital
 - c. Income tax
 - d. None of the above
5. ESIC stands for Employee State _____ Corporation.
 - a. Income
 - b. Insurance
 - c. Incentive
 - d. None of the above
6. A good performance management system helps employees to understand the _____ of the company.
 - a. Level
 - b. Impression
 - c. Goals
 - d. None of the above
7. Job Evaluation is the method followed to establish the value or worth of a _____.
 - a. Income
 - b. Job
 - c. Status
 - d. Both A and B
8. Special allowance is actually a balancing allowance which is a balancing figure in the _____.
 - a. CTC
 - b. CCT
 - c. CST
 - d. GST
9. House Rent Allowance is calculated at the rate of _____ of (Basic + DA) for metro cities and at rate of 40% of (Basic + DA).
 - a. 20%
 - b. 30%
 - c. 40%
 - d. 50%

10. A medical allowance of not more than Rs. 15000 per annum can be given to the employee divided into _____ parts.
- a. 12
 - b. 13
 - c. 14
 - d. 15

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ORGANIZATION BEHAVIOUR

STRUCTURE

- 4.1 Learning objective
- 4.2 Introduction and Definitions of Organizational Behaviour
- 4.3 Significance and evolution of Organizational Behaviour
- 4.4 Attitudes
- 4.5 Personality and Values
- 4.6 Perception and Motivation
- 4.7 Foundation of Group Behaviour
- 4.8 Group vs. Teams
- 4.9 Team Building
- 4.10 Managing Teams
- 4.11 Leader VS Manager
- 4.12 Leadership styles
- 4.13 Leadership skills
- 4.14 Chapter Summary
- 4.15 Review Questions
- 4.16 Multiple choice Questions



4.1 LEARNING OBJECTIVE

After completing this unit, you will be able to understand -

- About Organizational behaviour
- Why is it important in an Organization
- About the evolution of OB
- About attitude
- How it affects the performance
- Its Values
- About Motivation and Perception
- About the Group Behavior
- The Characteristics and Advantages of Groups
- Need and types of Groups
- The concept of team and meaning of team work
- Difference between teams and groups
- Types of teams
- Meaning of team building
- Guidelines to managing the team
- Concept of leadership and its importance in an organization
- Different types of leadership
- Skills of effective leaders

4.2 INTRODUCTION AND DEFINITIONS OF ORGANIZATIONAL BEHAVIOUR

It is the multidisciplinary field that seeks knowledge of behaviour in organisational settings by objective based on studying individual, group and organisational processes.

The role and field of organisation behaviour is not only concerned with a particular organisation. The concepts and approaches of organisation behaviour are also more concerned with the society.

According to L. M. Prasad, “Organisational behaviour can be defined as the study and application of knowledge about human behaviour related to other elements of an organisation such as structure, technology and social systems.”

The study of Organizational Behavior (OB) is very interesting and challenging too. It is related to individuals, group of people working together in teams. The study becomes more challenging when situational factors interact. The study of organizational behavior relates to the expected behavior of an individual in the organization.

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No two individuals are likely to behave in the same manner in a particular work situation. It is the predictability of a manager about the expected behavior of an individual. There are no absolutes in human behavior. It is the human factor that is contributory to the productivity hence the study of human behavior is important. Great importance therefore must be attached to the study.

DEFINITIONS OF ORGANIZATIONAL BEHAVIOUR

In words of K Aswathappa, “OB is the study of human behaviour in organisational setting, of the interface between human behaviour and organisation and of the organisation itself.”

In words of Stephen P. Robbins, “OB is a field of study that investigates the impact that individuals, groups and structures have on behaviour within organisations for the purpose of applying such knowledge towards improving an organisation’s effectiveness.”

According to L. M. Prasad, “Organisational behaviour can be defined as the study and application of knowledge about human behaviour related to other elements of an organisation such as structure, technology and social systems.”

According to Davis and Newstrom, “Organisational behaviour is the study and application of knowledge about how people act within organisations.”

OB is the study of individual behaviour in isolation, when in group and as a part of an organisation. The study of individual behaviour only, would be incomplete because behaviour is affected by the people surrounding us as well as by the organisation, in which we work. Studying only individuals or only organisations would be of no use. It is essential to study both simultaneously.

Fred Luthans said “Organization Behaviour is directly concerned with the understanding prediction and control of human behaviour in organization. “ Organizational behaviour in short is a study of how, why and when people behave in a certain manner in an organization. Understanding organizational behaviour as a subject gives an understanding of dealing with different personality types, understanding their strengths and weakness and ensuring that the organization achieves optimum output from these resources.

Characteristics of organisational behaviour are discussed as follows:

1. Organisational behaviour is a rational thinking, not an emotional feeling about people. The major goals of organisational behaviour are to explain and predict human behavioural in organisations. It is action-oriented and goal-directed.
2. Organisational behavioural seeks to balanced human and technical values at work. It seeks to achieve productivity by building and maintaining employee’s dignity, growth and satisfaction, rather than at the expense of these values.
3. Organisational behaviour integrates behavioural sciences. Many of its core concepts are borrowed from others fields and discipline like social psychology, sociology, and anthropology, etc.
4. Organisational behaviour is both a science and an art, the knowledge about human behaviour in organisations leans towards being science. Modern organisational

behaviour is, at once, empirical, interpretative, and critical. It is an interpretative science in the pursuit of knowledge and meaning.

The basic purpose is to make meaningful the facts of organisational life. Modern OB is an optic perspective; a process for looking at events, a way of life. It has empirical facts, and interesting interpretations and powerful paradigms.

However, it is an inaccurate science to provide specific answers to specific organisational problems. As such very little can be prescribed to consistently predict relationships between a variable on broad scale. The skills in applying the knowledge clearly lean towards being art.

5. Organisational behaviour exists at multiple like levels. Behaviour occurs at the individual, the group, and the organisational systems levels. Behaviour that is attributable to each of these levels can be both identified and isolated but at the same time these three levels interact with each other and OB-being affected by the behaviour of individuals, group level behaviour is affected by the organisational level phenomena and so on.
6. Organisational behaviour does not exist in vacuum. Organisations are made up of both social and technical components and therefore characterized as social-technical systems. The operational implication of this is that any approach of looking at behaviour must also take into account the technical component of organisation especially such issues as the nature of work and the technology. Organisations at the same time, must take into account the constructs of the working environment, for example, the extent to which the market and the product is changing.

Key elements of organisational behaviour are stated here:

1. **People:** People makes the interactive and behavioural platform in any organisation and people consists in the form of individuals and group. The role and behaviour of people identifies, recognise and develop the interactive relations towards behavioural attitudes in society.
2. **Structure:** The formal relationship of people makes the structural design in organisation. The managerial and organisational levels are decorated by specific job as well as level to be incurred in structural design. The rights and responsibilities are also being determined in a particular group or structure.
3. **Technology:** The technology represents all the resources with which people work and affects the task that they perform. The role and utilisation of technology has a significant influence on the performance of people and thereby to achieve perfections in the betterment of interactive behaviour.
4. **Interactive Behaviour:** In any organisation, the interactive relations and behaviour between individual and groups as well as the relations by formal and informal ways also have an important role to make perspectives in organisational behaviour. The mutual behaviour among people may be developed by the identification, existence and interactive role in any organisation and society.
5. **Environment:** All organisations operates within internal and external environment. The existence, structural design, work performance, mutual relations and





behavioural patterns are duly influenced by the internal and external environmental factors.

4.3 SIGNIFICANCE AND EVOLUTION OF ORGANIZATIONAL BEHAVIOUR

1. **It helps in understanding the people and organization in a better manner:** An organization is run by people. The vision and mission of the organization is written by people and fulfilled by people too. If, to a certain extent we understand the reasons for people to behave what they behave; it becomes easier to predict them. Each employee's style of working is as per their individual goals which if understood well can be aligned to the organization's goals.
2. **It is helpful in motivating employees:** Man, being a social animal constantly looks for acknowledgement and appreciation. According to Maslow's theory man has incremental needs throughout his life starting from Physiological, Safety, Belongingness, Esteem and Self-actualization needs. The fulfilment of physiological needs at the bottom of the pyramid; will lead to man realizing the next level of his needs. Understanding these needs and helping the employees fulfill those will keep them motivated and engaged. Behavioural studies also help to identify different motivators of people and thus use these to constantly positively push the employees to do well in their jobs.
3. **It helps in predicting and controlling the behaviour of people in organization:** If employee behaviour is not monitored and standards of behaviour are not set; then people would start behaving in the way they want. This will lead to a chaos and no one would cooperate with each other. It is necessary to study behaviour patterns for all variables and personality types. Prediction of behaviour in various situations will help in controlling behaviour and keeping a check on undesirable instances of behaviour. Various intervention strategies like training, counselling etc. are used by the HR function to identify and correct behaviour in the organization.
4. **Its Study and application help to derive strategic advantages:** Proper utilization and engagement of human resource lead to advantages like high quality output, increase in effectiveness of the employees, superior customer service, increased creativity and innovativeness etc. Behaviour of people can be moulded desirably if people are given a chance to express themselves. The more a person expresses the more open they are towards accepting new ideas and changes occurring in the organization.
5. **Better utilization of human resource:** The more that manager learns about organizational behaviour; the more they will learn to motivate people and help them perform. Understanding organizational behaviour will lead to people empathizing with employees and reaching out to help them perform better over time. Managers who are able to understand and analyze behaviours are effective in recruitment and job placement because they place people on tasks after taking all personality characteristics along with academics in consideration to match the person with the Job.



EVOLUTION OF ORGANIZATIONAL BEHAVIOUR

Evolution of Organizational Behaviour dates back to the 1800s with the start of the Industrial Revolution. Industrial revolution brought with it progress and potential improvement. It also brought rise of materialism, monotony, discipline, work interdependence and behavioural changes in people.

In the year 1900; for the first time; a Welsh factory owner by the name of Robert Owen recognized the human needs of employees. He went on to be known as the “bather of Personnel Management” because he introduced concepts like hygiene, cleanliness and improvement in work conditions at his factory. He also propagated the idea of not employing child labour and his contribution to employee welfare set a foundation for modern studies on Organizational Behaviour.

Andrew Ure in his 1835 book - *The Philosophy of the Manufacturer*; proliferated that employee welfare was an equally critical part of manufacturing along with engineering and finances. He was the first person to provide tea free of cost to employees along with giving them sick pays and medical treatments.

Following closely was **Mary Parker Follett** who was an American social worker and a management consultant. Her area of work was group relations and dynamics of group. Her studies on group behaviour became the stepping stone for introduction of the concept of group responsibilities in organizations.

“**Father of Scientific Management**” **F. W. Taylor**, became a pioneer in scientific management through his ideas on selecting right people for right job, providing relevant trainings, matching their skills to the job they were placed in and also advocated good pays for the employees. He introduced the use of time and motion study to break down jobs in manageable chunks and then help the worker to carry out these tasks in chunks. This work was published as “*Principles of Scientific Management*” in 1911. The criticism to this work was that these principles made employees more of automatons who only followed instructions and that they needed to be treated as humans.

This gave rise to the **Human Relations Movement** during the period of Great Depression and even Hawthorne studies contributed to the rise of this movement. It advocated employee morale and co-operation. **Elton Mayo**; professor of Industrial Research at the Harvard School of Business Administration; carried out the famous

Hawthorne studies: These studies were conducted at the Western Electric Company’s Hawthorne Works in Chicago and made him known as the “Father of Human Relations Movement”.

Four experiments were conducted under these studies which were as follows —

- a. **Illumination Experiments (1924 - 27):** These experiments aimed at finding out the effect of illumination, i.e., proper lighting on the productivity and efficiency of the employees. In this experiment the lights were increased and decreased; the results of which surprised the researchers. The results led them to conclude that



the productivity increased in spite of changes in lighting meaning that there were other factors for change in efficiency too.

- b. **Assembly Test Room Study (1927 - 1929):** In this study; two small groups of workers were placed in different rooms and their work hours, lunch breaks and rest periods were changed periodically. They were also given freedom to choose their break periods. The productivity was found to be increased and it was concluded that the social interaction and relationship between these workers and their collective efforts in decision making had increased the productivity.
- c. **Mass Interviewing Program (1928 - 1930):** Interviews of over 21,000 employees focusing on interpersonal relations were conducted. The initial standard responses led to failure of the task but indirect questions later on yielded results. The conclusion of the study was that if workers were allowed freedom to express their feelings; they would be more connected to fellow workers.
- d. **Bank Wiring Observation Room Experiment (1932):** For a period of 6 months; 14 male workers were put into a group and observed for six months. Under this experiment; it was decided that the worker's pay would depend on the group output.

The thought behind this idea was that the highly efficient workers will put pressure on the low efficient ones to perform better. But the results showed that the group decided its own output levels and followed them. Social pressure was not for achieving organizational goals but to achieve group goals.

These Hawthorne studies were the start of evolution of the Human Relations approach. The 1960 book "The Human Side of Enterprise" written by Douglas McGregor became a foundation for modern employees to understand behaviour of employees at work.

McGregor propagated the Theory X initially which was a pessimistic view to employee motivation and the theory Y which was an optimistic approach to view employee motivation. Mnemonically X and Y show 2 employees; X being the one with crossed hands refusing to work and Y being the one with hands in the air and happy for the opportunity to work.

Theory X states that an average employee dislikes work and finds ways to avoid work responsibilities. The theory X managers believe that their employees are lazy and less smart than them and should be rewarded or reprimanded as consequences of their actions. His theory advocates the hard and soft approach to management. The said approach results into a hostile and less cooperative environment with employees becoming resentful towards management due to the reprimanding activities. The soft approach leads to leniency in work and lesser regulations which result in a better cooperation from employees. Although the softer approach may lead to a decreased output; the hard approach might also decrease productivity due to absenteeism caused by deterioration of work environment.

A contrast to the Theory X is Theory Y which assumes that an employee is intrinsically motivated, enjoys his work and a direct reward is not necessary for them. This theory treats employees as a valuable part of the organization and relates with employees on a personal

level. Although use of this theory would advocate a democratic work environment; lack of standardized rules leads to detriment of quality standards and disregard for company guidelines at time.

Individuals like **Peter Drucker** and **Peter Senge** took these theories further into practice and evolved Organizational Behaviour studies into academic research and practices applicable to modern businesses. Terms like Organizational culture, organizational rituals, leadership and ethics all have today become an integral part of the organization thanks to all these historical contributors.

4.4 ATTITUDES

In psychology, an attitude refers to a set of emotions, beliefs, and behaviours toward a particular object, person, thing, or event. Attitudes are often the result of experience or upbringing, and they can have a powerful influence over behaviour. While attitudes are enduring, they can also change. Psychologists define attitudes as a learned tendency to evaluate things in a certain way. This can include evaluations of people, issues, objects, or events. Such evaluations are often positive or negative, but they can also be uncertain at times.

For example, you might have mixed feelings about a particular person or issue. Researchers also suggest that there are several different components that make up attitudes.¹ The components of attitudes are sometimes referred to as CAB or the ABCs of attitude.

COMPONENTS OF ATTITUDE

- **Cognitive Component:** Your thoughts and beliefs about the subject.
- **Affective Component:** How the object, person, issue, or event makes you feel.
- **Behavioural Component:** How attitude influences your behaviour.
- Attitudes can also be explicit and implicit. Explicit attitudes are those that we are consciously aware of and that clearly influence our behaviours and beliefs. Implicit attitudes are unconscious but still have an effect on our beliefs and behaviours.

ATTITUDE FORMATION

There are a number of factors that can influence how and why attitudes form. Here is a closer look at how attitudes form.

- **Experience**
Attitudes form directly as a result of experience. They may emerge due to direct personal experience, or they may result from observation.
- **Social Factors**
Social roles and social norms can have a strong influence on attitudes. Social roles relate to how people are expected to behave in a particular role or context. Social norms involve society's rules for what behaviours are considered appropriate.



- **Learning**
Attitudes can be learned in a variety of ways. Consider how advertisers use classical conditioning to influence your attitude toward a particular product. In a television commercial, you see young, beautiful people having fun on a tropical beach while enjoying a sports drink. This attractive and appealing imagery causes you to develop a positive association with this particular beverage.
- **Conditioning**
Operant conditioning can also be used to influence how attitudes develop. Imagine a young man who has just started smoking. Whenever he lights up a cigarette, people complain, chastise him, and ask him to leave their vicinity. This negative feedback from those around him eventually causes him to develop an unfavourable opinion of smoking and he decides to give up the habit.
- **Observation**
Finally, people also learn attitudes by observing people around them. When someone you admire greatly espouses a particular attitude, you are more likely to develop the same beliefs. For example, children spend a great deal of time observing the attitudes of their parents and usually begin to demonstrate similar outlooks.

STRUCTURE OF ATTITUDES

Attitude's structure can be described in terms of three components.

- **Affective component:** this involves a person's feelings / emotions about the attitude object. For example: "I am scared of spiders".
- **Behavioural (or conative) component:** the way the attitude we have influences on how we act or behave. For example: "I will avoid spiders and scream if I see one".
- **Cognitive component:** this involves a person's belief / knowledge about an attitude object. **For example:** "I believe spiders are dangerous".

This model is known as the ABC model of attitudes.

Attitude and Behaviour

Behaviour of a person is completely dependent on the attitude a person carries in their mind. It is about the way they feel or experience about a particular place or person. The attitude which a person brings along at work is responsible for their behaviour towards their work, team and organization. These attitudes vary with respect to factors like salary, benefits, boss's nature and leadership style, instructions provided at work and their clarity, work environment etc. Employees will usually get along with the team and follow the leader if their attitude is positive. Else, they will create unnecessary hurdles in the tasks of other performers too. It is the prerogative of the management and leadership to help employees create a positive attitude in the employees.

Cognitive Dissonance

Cognitive Dissonance is a feeling of discomfort or tension when two conflicting thoughts arise in the mind at the same time. It often occurs when we believe in something but act



different to that belief. For example: A person who believes in being punctual would feel uncomfortable on reaching late or a person who is ethical will feel a great discomfort if he has done something which goes against his principles.

If a person has done something which cannot be changed then the post action dissonance coerces the person to change their beliefs; which in turn changes their decisions and makes them do things which they would never have done.

To illustrate the above point; take an example of an executive working in a firm where bribery is rampant. A new executive who has joined the organization is ethical and hates the concept of bribery. He is not ready to be influenced even by his superiors openly accepting bribes and decides to ignore everything and perform his duties sincerely. His belief at this stage is that accepting bribes is not an acceptable act for his principles. His superiors slowly start creating hurdles for him, side line him and also some co-workers start threatening him. He might be strong but for some time. Consistent pressure from peers and superiors will at some point bring in a thought in his mind which would say - what is wrong in accepting bribes? It would create extra income while also get me accepted by my peers. This is the exact moment of dissonance. The earlier belief of accepting bribes being inconsistent with his principles is still firm in his mind and an exactly contradictory belief of getting accepted in the peer group if he takes bribes exists in this person's mind. cognitive Dissonance happens as he gets uncomfortable due to the conflict going on in his mind about his beliefs. His behaviour now is dependent on the pressure felt by him at this moment. Ultimately if he decides to give it a try; and does accept a bribe, he would experience a deep discomfort due to his action which was contrary to his belief. Further, repetitive instances will force his mind to change his beliefs; which would then make him feel at peace.

Psychologist Henry Festinger was first to propose the theory of cognitive dissonance which spoke about the need of people to achieve internal consistency. In his book *A Theory of Cognitive Dissonance* he states, "Cognitive dissonance can be seen as an antecedent condition which leads to activity oriented toward dissonance reduction just as hunger leads toward activity oriented toward hunger reduction. It is a very different motivation from what psychologists are used to dealing with but, as we shall see, nonetheless powerful."

Henry Festinger infiltrated a cult to study this theory and found how their leader had convinced the cult that the world was going to be destroyed and that only the members of the cult would be saved by aliens. What he found was that even when nothing like this happened; the members' belongingness towards the cult increased. Further observation led him to conclude that the dissonance created by the thought that they were stupid was so great that they revised their belief to meet the facts - that the aliens saved the entire world because of their concern towards the cult. In another experiment, Festinger and Carl Smith found that when students had to lie about a boring task; the ones which were paid for lying experienced highest discomfort.

In studies of the organizational behaviour; cognitive dissonance becomes central to various forms of persuasion to change strong beliefs, values, attitudes, behaviours and even habits.



Usually, interventions which are used to change certain behaviours in the organization use cognitive dissonance to move group behaviours gradually.

ORGANIZATIONAL COMMITMENT

Organizational commitment is defined as a view of an organization's member's psychology towards his/her attachment to the organization that he/she is working for. Organizational commitment plays a pivotal role in determining whether an employee will stay with the organization for a longer period of time and work passionately towards achieving the organization's goal.

If an organizational commitment is determined it helps predict employee satisfaction, employee engagement, distribution of leadership, job performance, job insecurity, and similar such attributes. An employee's level of commitment towards his/her work is important to know from a management's point of view to be able to know their dedication to the tasks assigned to them on a daily basis.

THEORY OF ORGANIZATIONAL COMMITMENT

A distinguished theory in organizational commitment is the Three-Component Model (TCM). According to this theory, there are three distinct components of organizational commitment:

Affective commitment: This is the emotional attachment an employee has towards the organization. This part of TCM says that an employee has a high level of active commitment, then the chances of an employee staying with the organization for long are high. Active commitment also means, an employee is not only happy but also engaged in the organizational activities like, participation in discussions and meetings, giving valuable inputs or suggestions that will help the organization, proactive work ethics, etc.

Continuance commitment: This is the level of commitment where an employee would think that leaving an organization would be costly. When an employee has a continuance in commitment level, they want to stay in the organization for a longer period of time because they feel they must stay because they have already invested enough energy and feel attached to the organization – attachment that is both mental and emotional. For example, a person over a period of time tends to develop an attachment to his/her workplace and this may be one of the reasons why an employee wouldn't want to quit because they are emotionally invested.

Normative commitment: This is the level of commitment where an employee feels obligated to stay in the organization, where they feel, staying in the organization is the right thing to do. What are the factors that lead up to this type of commitment? Is it a moral obligation where they want to stay because someone else believes in them? Or is it that they feel that they have been treated fairly here and that they do not wish to take the chance of leaving the organization and finding themselves in between the devil and the deep sea? This is a situation where they believe they ought to stay.



KEY BENEFITS AND ADVANTAGES OF ORGANIZATIONAL COMMITMENT

Since organizational commitment determines how long employees will stay with your organization, committed employees are any and every organization's asset. Some of the key benefits and advantages of organizational commitment are as follows:

1. High employee productivity

Committed employees are highly productive. They believe in the organization, its goals, vision, mission, and the leadership team. These employees not only demonstrate high levels of productivity, but they also ensure their colleagues and team members too display the same.

2. Reduced absenteeism

A committed and motivated staff will report much lesser absenteeism than their peers. Committed employees look forward to going to work, completing their work, helping out projects, and contributing toward organizational goals.

3. Excellent team players

Since dedicated employees are heavily invested in the organization, and its success, they are great at collaborating with, and working in teams. They contribute significantly to boosting the team's productivity.

4. Strong advocates

Dedicated and committed employees believe in their organization, and hence, are effective and positive advocates of their employers. They are strong believers and supporters of their employer's products, services, and policies.

4.5 PERSONALITY AND VALUES

Personality

Personality encompasses a person's relatively stable feelings, thoughts, and behavioural patterns. Each of us has a unique personality that differentiates us from other people, and understanding someone's personality gives us clues about how that person is likely to act and feel in a variety of situations. To manage effectively, it is helpful to understand the personalities of different employees. Having this knowledge is also useful for placing people into jobs and organizations.

If personality is stable, does this mean that it does not change? You probably remember how you have changed and evolved as a result of your own life experiences, parenting style and attention you have received in early childhood, successes and failures you experienced over the course of your life, and other life events. In fact, personality does change over long periods of time. For example, we tend to become more socially dominant, more conscientious (organized and dependable), and more emotionally stable between the ages of 20 and 40, whereas openness to new experiences tends to decline as we age. In other words, even though we treat personality as relatively stable, change occurs. Moreover, even in childhood, our personality matters, and it has lasting consequences for us. For example,

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studies show that part of our career success and job satisfaction later in life can be explained by our childhood personality.

Is our behaviour in organizations dependent on our personality? To some extent, yes, and to some extent, no. While we will discuss the effects of personality for employee behaviour, you must remember that the relationships we describe are modest correlations. For example, having a sociable and outgoing personality may encourage people to seek friends and prefer social situations. This does not mean that their personality will immediately affect their work behaviour. At work, we have a job to do and a role to perform. Therefore, our behaviour may be more strongly affected by what is expected of us, as opposed to how we want to behave. Especially in jobs that involve a lot of autonomy, or freedom, personality tends to exert a strong influence on work behaviour, something to consider when engaging in Organizing activities such as job design or enrichment.

DETERMINANTS OF PERSONALITY

There are 3 primary determinants of Personality - Heredity, Environment and Situation. A human's personality is determined by these 3 factors. There have been extensive debates on whether personality is determined at birth due to heredity or whether it is related to the person's interactions with the environment while growing up. Research states that personality is a dynamic function of the person and will change to certain extent based on situations; but heredity also determines many traits of personality.

- **Heredity**

Some physical and psychological components of personality are inherited from parent's or family members. Facial characteristics, body characteristics like height, bone structure, hairline, temperament or biological rhythms etc. are mostly inherited from parents. Genetics is responsible for around 50 percent of personality differences and 30 percent variation in occupational and leisure choices. However, personality is not completely determined by heredity and is largely influenced by environment.

- **Environment**

Environmental factors also play a major role influencing people's behaviour. The environment around us comprises of various factors in itself. The geographical region that we live in, culture, atmosphere, economic conditions, group dynamics of ethnic groups around us.

India is a nation with diverse culture, languages, traditions, customs etc. There would be a lot of different personalities in India due to the very fact that the culture changes even from one state to another. The people in Maharashtra will behave differently than those from Tamil Nadu or a person from Punjab would be completely different than a person from Karnataka. Mostly Indians are known to be humble, tolerant and religious. India is a religious country where numerous religions and sects live in harmony which has taught Indian's tolerance, adjustments and respect for people even when they are different.



Comparatively, people from other countries are conditioned by different culture. For example, Americans are materialistic and believe in not only working hard but enjoying life equally. Whereas the Japanese people are industrious, dependable and obedient with a high degree of focus on discipline, culture and family values.

When in an organization the entire population of employees coming from diverse cultures have to be brought under a single umbrella of values. This is a little difficult as it involves unlearning old conditioning and learning new professional values of the organization.

Culture is the sum total of beliefs, opinions, norms, values and attitudes which are usually shared by people of same groups passed on from generations to generations. A person who has grown up in a joint family might have a lot of attachment for people and a person who has grown up in a nuclear family might be very independent and have the habit of working alone.

This set of languages, culture and traditions etc. plays a crucial role in the development of personality.

- **Situation**

Situations are dynamic and change with the environment. Just like situations; the responses and reactions of people are also dynamic. The personality will define a person's responses to the situation and these same responses will reinforce the beliefs of the person. The changes in situations will result in influencing the effects of heredity and environment.

Situational changes like meetings, performance pressures, group activities, individual tasks, etc. will bring out diligence behaviours from employees. This understanding of personality has led Human Resource managers to take situational tests and role plays during interviews to get a better judgment of a person.

It can be concluded that heredity, environment and situations make up the three layers of personality.

VALUES

Values refer to people's stable life goals, reflecting what is most important to them. Values are established throughout one's life as a result of accumulating life experiences, and values tend to be relatively stable. The values that are important to a person tend to affect the types of decisions they make, how they perceive their environment, and their actual behaviours. Moreover, a person is more likely to accept a job offer when the company possesses the values he or she cares about. Value attainment is one reason people stay in a company. When a job does not help them attain their values, they are likely to decide to leave if they are dissatisfied with the job.

What are the values people care about? As with personality dimensions, researchers have developed several frameworks, or typologies, of values. One of the particularly useful frameworks includes 10 values.

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Values a person holds will affect their employment. For example, someone who values stimulation highly may seek jobs that involve fast action and high risk, such as firefighter, police officer, or emergency medicine. Someone who values achievement highly may be likely to become an entrepreneur or intrapreneur. And an individual who values benevolence and universalism may seek work in the non-profit sector with a charitable organization or in a “helping profession,” such as nursing or social work. Like personality, values have implications for Organizing activities, such as assigning duties to specific jobs or developing the chain of command; employee values are likely to affect how employees respond to changes in the characteristics of their jobs.

In terms of work behaviours, a person is more likely to accept a job offer when the company possesses the values he or she cares about. A firm’s values are often described in the company’s mission and vision statements, an element of the Planning function. Value attainment is one reason people stay in a company. When a job does not help them attain their values, they are likely to decide to leave if they are also dissatisfied with the job.

According to M. Haralambos, “A value is a belief that something is good and desirable”.

According to R.K. Mukherjee, “Values are socially approved desires and goals that are internalized through the process of conditioning, learning or socialization and that become subjective preferences, standards, and aspirations”.

According to Zaleznik and David, “Values are the ideas in the mind of men compared to norms in that they specify how people should behave. Values also attach degrees of goodness to activities and relationships”

The characteristics of values are:

- These are extremely practical, and valuation requires not just techniques but also an understanding of the strategic context.
- These can provide standards of competence and morality.
- These can go beyond specific situations or persons.
- Personal values can be influenced by culture, tradition, and a combination of internal and external factors.
- These are relatively permanent.
- These are more central to the core of a person.
- Most of our core values are learned early in life from family, friends, neighbourhood school, the mass print, visual media and other sources within the society.
- Values are loaded with effective thoughts about ideas, objects, behaviour, etc.
- They contain a judgmental element in that they carry an individual’s ideas as to what is right, good, or desirable.
- Values can differ from culture to culture and even person to person.
- Values play a significant role in the integration and fulfilment of man’s basic impulses and desire stably and consistently appropriate for his living.

- They are generic experiences in social action made up of both individual and social responses and attitudes.
- They build up societies, integrate social relations.
- They mould the ideal dimensions of personality and depth of culture.
- They influence people's behaviour and serve as criteria for evaluating the actions of others.
- They have a great role to play in the conduct of social life. They help in creating norms to guide day-to-day behaviour.



SOURCES OF VALUES

Sources of value are a comprehensive guide to financial decision-making suitable for beginners as well as experienced practitioners.

It treats financial decision-making as both an art and a science and proposes a comprehensive approach through which companies can maximize their value. Generally, no values tend to be relatively stable and enduring.

A significant portion of the values we hold is established in our early years from parents, teachers, friends, and others. There are so many sources from which we can acquire different values.

Sources of values are:

- **Family:** Family is a great source of values. A child learns his first value from his family.
- **Friends & peers:** Friends and peers play a vital role in achieving values.
- **Community or society:** As a part of society, a person learns values from society or different groups of society.
- **School:** As a learner, school and teachers also play a very important role in introducing values.
- **Media:** Media such as – Print media, electronic media also play the role of increasing values in the mind of people.
- **Relatives:** Relative also helps to create values in the minds of people.
- **Organization:** Different organizations and institutions also play a vital role in creating value.
- **Religion.**
- **History.**
- **Books.**
- **Others.**



4.6 PERCEPTION AND MOTIVATION

PERCEPTION

Perception is defined as the process by which an individual selects, organizes and interprets stimuli into a meaningful and coherent picture of the world.

It is a cognitive process by which people attend to incoming stimuli, organise and interpret such stimuli into behaviour.

Stimulus is any unit of input to any of the senses; examples of stimuli (i.e. Sensory inputs) include products, packages, brand names; advertisement and commercials. Sensory receptors are the human organs (the eyes, ears, nose, mouth and skin) that receive sensory inputs. These sensory functions are to see, hear, smell, taste and feel respective.

The study of perception is largely the study of what we subconsciously add to or subtract from raw sensory inputs to produce a private picture of the world.

Sensation is the immediate and direct response of the sensory organs to simple stimuli and advertisement, a package, a brand name. Human sensitivity refers to the experiences of sensation.

The word Perception comes from the Latin words, “percipio” meaning “receiving, collecting, action of taking possession, apprehension with the mind or senses”.

Definition

“A process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment” **Stephen P. Robbins.**

“Perception is an important meditative cognitive process through which persons make interpretations of the stimuli’s or situation they are faced with” **Fred Luthans.**

NATURE OF PERCEPTION

- Perception is the process by which an individual gives meaning to the environment.
- People ‘s actions, emotions, thoughts and feelings are triggered by their perceptions of their surroundings.
- Perception has been defined in a variety of ways; it basically refers to the manner in which a person experiences the world.
- Perception is an almost automatic process and works in the same way within each individual, yet it typically yields different perceptions.

FACTORS THAT INFLUENCE PERCEPTION

- Characteristics of the Perceiver
- Characteristics of the Target
- Characteristics of the Situation



CHARACTERISTICS OF THE PERCEIVER

Several characteristics of the perceiver can affect perception. When an individual looks at a target and attempts to interpret what he or she stands for, that interpretation is heavily influenced by personal characteristics of the individual perceiver.

The major characteristics of the perceiver influencing perception are:

- Attitude
- Motives
- Interest
- Experience
- Expectation
- Self-Concept

Attitude

The attitude and aptitude of employees influence perception formation. If they have positive attitudes towards the management, they directly perceive the stimuli given by management. In the case of negative attitudes, the employees suspect the management's approach. Employees of high aptitude have a desire and attitude for growth. They behave positively toward the management of an organization.

Motives

The motives and desires of employees cause them to view stimuli differently as per their level and angle. Helpful motives of the employees will always assist the management. If they desire to develop themselves and the organization, they will perceive objects and situations positively. Employees having low motives will not work sincerely. The perception will differ depending on different types of motives.

Interest

The interest of individuals draws more attention and recognition to stimuli. Less attention and recognition lower the impact of stimuli or objects on behaviour. If employees lack interest, behaviour pattern will be less effective, and the perception will be weak.

Experience

The experience of employees results in different levels of perception. A young employee takes time to understand the object and situation. Experienced employees generally understand objects quickly and correctly. However, in contradictory situations, it is difficult to correct aged persons, whereas the young are easily moulded towards achieving the objectives of the organization.

Expectation

Expectations distort perceptions. People see what they expect to see. If they see the object and the situation differently from their expectations, they get frustrated. They are unable to modify their behaviour. The employees may expect more pay and so they perceive the



management from that angle. The real stimuli are not properly perceived if expectations exist there on. The management has to evolve expectations for proper perception.

Self-Concept

Another factor that can affect social perception is the perceivers' self-concept. An individual with a positive self-concept tends to notice positive attributes in another person. In contrast, a negative self-concept can lead a perceiver to pick out negative traits in another person. Greater understanding of self allows us to have more accurate perceptions of others.

CHARACTERISTICS OF THE TARGET

Characteristics in the target that is being observed can affect what is perceived. Physical appearance plays a big role in our perception of others. Extremely attractive or unattractive individuals are more likely to be noticed in a group than ordinary looking individuals.

Motion, sound, size and other attributes of a target shape the way we see it.

- Physical appearance
- Verbal communication
- Non-verbal communication
- Objects

Characteristics of the Target in Perception

Physical appearance

Physical appearance plays a big role in our perception of others. The perceiver will notice the target's physical features like height, weight, estimated age, race and gender. Perceivers tend to notice physical appearance characteristics that contrast with the norm, that are intense, or that are new or unusual.

Verbal communication

Verbal communication from targets also affects our perception of them. We listen to the topics they speak about, their voice tone, and their accent and make judgements based on this input.

Non-verbal communication

Non-verbal communication conveys a great deal of information about the target. The perceiver deciphers eye contact, facial expressions, body movements, and posture all in an attempt to form an impression of the target.

Targets are not looked at in isolation; the relationship of a target to its background influences perception because of our tendency to group close things and similar things together.

Objects

Objects that are close to each other will tend to be perceived together rather than separately. As a result of physical or time proximity, we often put together objects or events that are unrelated.

People, objects or events that are similar to each other also tend to be grouped together. The greater the similarity, the greater the probability we will tend to perceive them as a group.

CHARACTERISTICS OF THE SITUATION

Change in situation leads to incorrect perception about a person.

The factor that influences the perception are:

- Time
- Work setting
- Social setting

Time

The situation in which the interaction between the perceiver and the target takes place has an influence on the perceiver's impression of the target.

For Example, a person decked up for a party may not be noticeable but the same dress in office would be noticed distinctly, though the person has not changed.

Work setting

You would have very frequently heard people say that their manager is different during working hours and 1800 opposite while in a social setting.

Social setting

The strength of the situational cues also affects social perception. Some situations provide strong cues as to appropriate behaviour. In these situations, we assume that the individual's behaviour can be accounted for by the situation and that it may not reflect the individual's disposition. This is the discounting principle in social perception.

For example, you may encounter an automobile salesperson who has a warm and personable manner, asks you about your work and hobbies, and seems genuinely interested in your taste in cars. Can you assume that this behaviour reflects the salesperson's personality? You probably cannot, because of the influence of the situation. This person is trying to sell you a car, and in this particular situation, he probably treats all customers in this manner.

MOTIVATION

Motivation is defined as inner burning passion caused by need, wants and desire which propels an individual to exert his physical and mental energy to achieve desired objectives.

Motivation is goal-directed behaviour. People are motivated when they expect that a course of action is likely to lead to the attainment of a goal and a valued reward – one that satisfies their needs and wants.

Three Components of Motivation

- Direction: what a person is trying to do.



- Effort: how hard a person is trying.
- Persistence: how long a person keeps on trying.

DYNAMICS OF MOTIVATION

Motivation is triggered by the psychological tension comes due to the unfulfilled need and drive consumers to buy. Consumers strive consciously and unconsciously to bring down their tension by selecting goals in anticipation of fulfilling their needs.

Basic idea of marketing is to identify and fulfil the needs. Marketers tend to fulfil unmet or dormant needs. Basic needs of consumer do not change but the product fulfilling the need may change. A product-focused towards the consumer need ensures that companies remain in forefront of the search for new and effective solutions. This helps companies to survive and grow even in tough competition.

LEVEL OF MOTIVATION

The level of motivation would depend on the intensity and urgency of need. Consumer motivational levels may vary from low to high depending on how important is that purchase. Besides, various Influences affecting consumers' buying include familiarity with the purchase, status factors and overall expense & value.

Where fulfilment rewards are low, as with routine purchases like salt, sugar, tea, shampoo etc., motivation levels are also relatively low and involve little decision-making behaviour. On the other hand, with a complex, risky and emotionally-charged process such as buying a new car, the drive to achieve the best result is high.

MOTIVATIONAL BEHAVIOUR

The behavioural aspect of consumer motivation concerns the actions we take before purchasing and consuming goods or services. We might do a lot of research-evaluating alternatives, testing, and sampling before making a purchase decision. Marketers aim to gain the most impact and eventual sales by linking their products and services to clearly defined consumer needs and by understanding what motivates people to buy.

“Motivation is the willingness to exert high levels of effort toward organisational goals, conditioned by the effort's ability to satisfy some individual needs.” **Stephen P Robbins**

“It is the desire within an individual that stimulates him or her to action.” **George R. Terry**

“It is the way in which urges, drives, desires, aspirations, strivings or needs direct, control or explains the behaviour of human beings.” **D.E. McFarland**

“It is a process of stimulating people to action to accomplish desired goals.” **Scot**

“It is the way in which urges, drives, desires, aspirations, strivings need direct, control or explain the behaviour of human beings.” **Mc Farland**

“It is a willingness to expend energy to achieve a goal or reward. It is a force that activates dormant energies and sets in motion the action of the people. It is the function that kindles a burning passion for action among the human beings of an organisation.” **C.B. Mamoria**

“It is steering one’s actions toward certain goals and committing a certain part of one’s energies to reach them.” S.W Gellerman

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CONCEPT OF MOTIVATION

- **Need:** A need is a condition of lack or deficit of something required by the organism/person.
- **Motives:** Motive is defined as an inner state that energises, activates (or moves) and directs (or chana Lises) the behaviour towards certain goals.

TYPES OF MOTIVATION

The two types of motivation are:

- Intrinsic motivation
- Extrinsic motivation

Intrinsic motivation

Intrinsic motivation can arise from self-generated factors that influence people’s behaviour. It is not created by external incentives.

It can take the form of motivation by the work itself when individuals feel that their work is important, interesting and challenging and provides them with a reasonable degree of autonomy (freedom to act), opportunities to achieve and advance, and scope to use and develop their skills and abilities.

Extrinsic motivation

Extrinsic motivation occurs when things are done to or for people to motivate them.

These include rewards, such as incentives, increased pay, praise, or promotion; and punishments, such as disciplinary action, withholding pay, or criticism. Extrinsic motivators can have an immediate and powerful effect, but will not necessarily last long. Now, let’s move further and try to understand importance of motivation and its Characteristics of motivation.

CHARACTERISTICS OF MOTIVATION

Characteristics of motivation are briefly explained below:

- Motivation is a psychological phenomenon
- Motivation is a continuous process
- Motivation is caused due to anticipated perceived value from an action
- Motivation varies from person to person and time to time
- An individual is motivated by positive or negative motivation

Motivation is a psychological phenomenon

It is the inner desire of an individual to achieve something more. More is the individual motivated better performance and organization relations.

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**Motivation is a continuous process**

Since need and desire are endless so the need is a continuous phenomenon if one need is satisfied the other need emerges.

Motivation is caused due to anticipated perceived value from an action

Perceived value is the probability or expectancy. $\text{motivation} = \text{value} \times \text{expectancy}$.

Motivation varies from person to person and time to time

Motivation is different for different persons and it also varied according to time and place because wants are different for different people, according to time and places.

An individual is motivated by positive or negative motivation

- **Positive motivation** is based on incentives or rewards. Incentives can be monetary and non-monetary.
- **Negative motivation** is based on penalties, calling for explanation, threats, fear, etc. Fear of losing the job or promotion.

IMPORTANCE OF MOTIVATION

Broadly, the importance of motivation is as follow:

- High level of performance.
- Low employee turnover and absenteeism.
- Acceptance of organization change.
- Organizational image.

High level of performance

Organizations must ensure that the employees have a high degree of motivation. A highly motivated employee put extra effort into work and have a sense of belonging for the organization.

The efficiency of work will be improved, wastage will be minimum which will result in increased productivity, and performance level will be high.

Low employee turnover and absenteeism

Low level of motivation is a root cause of low turnover and absenteeism. High level of absenteeism causes a low level of production, poor quality, wastages and disruption in production schedules.

Increased turnover is disastrous for any organization as it puts a strain on the financial position of the organization due to additional recruitment, selection, training and development.

Acceptance of organization change

Social change and technology evolution happens in the external environment have greater impact on the motivation of the employee. Management must ensure that the changes are

introduced in the organization and its benefits explained to the employees so that there is no resistance to change and organizational growth is achieved. Re-engineering, empowerment, job enrichment, job rotation, the introduction of new technology and processes will go a long way to boost employee morale and achieve a high degree of motivation.

Organizational image

Employees are the mirrors of any organization. Regular training & development programmes should be organized to keep employees updated with the latest skills. It will have a positive impact on the employees and the image of the organization will be improved.

The high organizational image will contribute towards the brand image of the product and services the organization is marketing.

CHECK YOUR PROGRESS

1. How many types of motivation? Explain.
2. Explain importance of motivation.
3. Explain Characteristics of the Perceiver.
4. What are the key elements of organisational behaviour?
5. What do you mean by organization behaviour?

4.7 FOUNDATION OF GROUP BEHAVIOUR

Two or more individuals, interacting and interdependent, have come together to achieve particular objectives.

Individuals form groups. They live in groups. They move in groups. They work in groups. Groups are important. They influence work and work behavior. They cannot be ignored. They exert significant influence on the organization. They are inseparable from the organization. They are useful for the organization. They form the foundation of human resources. The study of group behavior is important. Individual and group behavior differs from each other. Group behavior affects productivity.

The importance of group behavior has been realized from time to time. Elton Mayo and his associate's way back in 1920 conducted the famous Hawthorne experiments and came to know that group behavior has a major impact on productivity.

REASONS FOR GROUP

Man is a social animal and he lives in groups, he moves in groups. So, the group is inherent to human beings.

Following are the few reasons why the group is essential:

1. Management of modern organizations is making concerted efforts to introduce industrial democracy at the workplace. They are using task force, project teams, work committees where workers get due representation. They participate very often in decision-making. This takes place in groups.

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2. The tasks in modern industries are becoming more complex, tedious, and monotonous. To change these conditions and make the environment at the workplace more lively, work committees and workgroups, and teams are formed to monitor the work and change.
3. To make participative management more effective and relieve executives of petty responsibilities employees are given these responsibilities to carry on successfully and effectively. Group of employees is also given joint responsibility to carry on the work.
4. Groups of all kinds and types are used by inviting their cooperation in all matters related to production as well as with human relations to make the organization effective.
5. There are several works that an individual cannot perform. To complete such tasks, group efforts are required for its completion, e.g., building of a ship, making of a movie, construction of a fly-over, a complex, etc.

All these require coordinated and unified efforts of many individuals i.e., groups. A group can do work that cannot be performed by an individual or beyond his capabilities.
6. A group can make a better judgment as compared to an individual.
7. While accomplishing tasks group can use creative instinct and innovative ideas than a single individual.
8. When the group is working, all the benefits of division of labor accrue.
9. Individuals in a group communicate with each other and discuss work performance and suggestions to make it better and excellent.
10. Group efforts substantially affect an individual, his attitude, and behavior.
11. Group can satisfy the needs of its members. In a group, an individual member feels secure and he can directly get technical and work-related assistance. They also get special support when they are emotionally depressed.

GROUP EFFECTIVENESS

A group is a social setting that offers knowledge, hard work, and opportunities. The group influences individual members' attitudes and behavior. A group's effectiveness brings about organizational effectiveness which is essential for the growth and prosperity of the organization. There are certain measures of group effectiveness

1. **Productivity:** Higher the productivity effective is the group. Quality and quantity of product speaks for group effectiveness,
2. **Attendance:** Each group member must attend the work regularly. Absenteeism and high employee turnover speak for the laxity of the group. Fair attendance makes the group effective.
3. **Job Satisfaction:** Job satisfaction motivates the group for hard work to make it more effective. Management should take steps to ensure the job satisfaction of its employees.



4. **Attitude:** The attitude of group members towards work also is a measure of group effectiveness and must be taken seriously. Efforts must be made to develop and nurture the positive attitude of the group member.
5. **Employee Well-being:** The physiological and psychological welfare of the employee keeps them fit. Efforts should be made to assure the mental and physical fitness of the employees to ensure group effectiveness.
6. **Learning:** Knowledge comes through learning i.e., education, training, knowing things from fellow employees, and making one suitably knowledgeable and skilled in working. This makes the group effective. Knowledge is power.
7. **Retention:** Retaining the human resources makes the group effective. Firing them very often leads to chaos because every time a new person enters the group disturbing the group cohesiveness has negative effects.

TYPES OF GROUPS

Groups can be classified in many different ways on various bases.

Following are the basic groups:

1. FORMAL GROUPS

Formal groups are created as part of the organization's structure to accomplish organizational tasks. A working group in a plant is an example of a formal group. They are bound by a hierarchical authority in the organization. They have to follow rules, regulations, and policies of the organization. These groups are required by the system. The organization provides a system of rules and regulations for attaining organizational objectives.

According to A.L. Stencombe, "a formal group is said to be any social arrangement in which the activities of some persons are planned by others to achieve a common purpose".

Formal groups help in achieving goals without any difficulty. They facilitate the coordination of activities and help in forming logical relationships among people and positions. They create group unity. Leonard R Sayles has subdivided formal groups into command groups and task groups.

- **Command Group:** The Command group consists of subordinates who are directly responsible to a supervisor. Command groups are structured by the organization. The subordinates working in the enforcement department of a town planning authority are reporting to and directly responsible to the enforcement officer. This group is responsible for the removal of encroachment on public land. There is a specific department established for the purpose and is busy throughout with its activities.
- **Task Group:** A Task group is formed to complete a project. This type of group is also known as a task force. The job of the group is to complete the task within an allotted period. If one task is completed, they are allotted a new task to work with. Project teams, quality circles, audit teams are examples of a task group.



2. INFORMAL GROUPS

Informal groups exist within formal organizations and arise because of individuals' social needs and desire to develop and maintain relations with people. Working at a plant or office leads to the formation of informal groups. They work together and this leads to their interaction. Through interaction, groups are formed. These groups are spontaneous and emotional. Keith Davis has defined informal group as, "the network of persons and social relations which is not established or required for formal organization."

These are the groups formed by the employees themselves at the workplace while working together. The organization has not taken an active interest in its formation. According to M. Dalton, "informal groups are cliques." Cliques are a group of people of different organization levels coming together with a common interest. Cliques are horizontal, vertical, and random. Horizontal Cliques comprise people from the same rank and work area. Vertical Cliques consist of people of different organization levels. Random Cliques are made up of employees from both horizontal and vertical lines coming together with a common interest.

Informal groups are very effective and powerful. Some managers view them as harmful and disruptive to the interest of the organization. They suspect their integrity and consider as a virtual threat. Some managers seek their help in getting the task completed quickly. They do not consider them a threat. The strength of these informal groups can be utilized for the accomplishment of organizational objectives.

Informal groups are of the following types:

- **Interest Group:** A group of employees coming together for attaining a common purpose. Employees coming together for payment of bonus increase in salary, medical benefits, and other facilities are examples of interest groups. The people with a common interest come together.
- **Membership Group:** A group of persons belonging to the same profession know each other e.g., teachers of the same faculty in the university.
- **Friendship Group:** A group outside the plant or office, having similar views, tastes, opinions, belonging to the same age group. They form clubs and associations based on friendship.
- **Reference Group:** It is a primary group where people shape their ideas, beliefs, values, etc. They want support from the group. Family is an important reference group. A team of players playing a game is a reference group.

SIZE OF GROUP

There is no limit to the size of the group. It can be of very small size comprising of two members to any number of members. The size of the group affects the behavior of a member of that group. Small groups of two or three need special concern.

1. **Dyad or Group of Two:** Dyad consists of two persons only. In this group, no third person is present to mediate when differences of opinion or disagreement on any count arise. This results in frequent quarrels, fight between the two. But the persons in this group maintain agreement between them and do not indulge in a quarrel. They avoid differences between the two or set them aside.

They avoid a clash on any issue because it may lead to the failure of the group, and that is wise. But disagreement leads to new ideas which help in decision-making. It is better not to have a dyad if differences in opinions or disagreements are not allowed to surface.

2. **Triad or Group of Three:** It is a group consisting of three members only. In this, a problem crops up when there is a perfect agreement between the two and the third is in strong opposition. This is a natural consequence. Managers usually avoid forming triads.

FORMATION OF GROUPS

People are eager to become members of a group for several reasons. They think that by becoming a member they can satisfy some of their needs or so. Some people are forced into the group as they are helpless and they cannot refuse to join e.g., a task assignment is given by the boss along with others no employee can dare to refuse.

He has to do the job. This is one case but there are several other factors responsible for group formation.

Factors Governing Formation of Groups

1. **Personal Traits:** The first and foremost factor that governs the formation of a group is personal traits. People join groups because they find commonalities of interests, beliefs, values, and attitudes. People of common beliefs, interests, values, and attitudes come together and form a group.

The group fosters their interests and beliefs. The interaction with people of similar values, beliefs, attitudes becomes easier. They feel at home with the other members of the group. There is no way to conflict when the members share the same ideology.

Political parties are formed on the same principles. The people come together and form groups because of security and affiliation needs. They feel secure after joining the group. Employees form unions to be secured from the threat of termination and other such dangers of facing unemployment. They feel safe after joining the group.

2. **Identical Objective:** The people with similar objectives have a strong feeling to come together and form groups. Executives pick up people and assign them activities in sales or marketing or advertising. This enables people to come together and interact and they share the burden of each other while working together. They know each other well and having the same objectives can form a group.
3. **Emerging Leadership:** People form groups with a potent will of emerging leaders of the group. When people come together, they choose someone to lead them. The



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leader gets accepted by the people. People follow him because they feel that he will safeguard their interests. The leaders get authority from their followers. The leader hence assumes power. He emerges because of a group. The groups are formed and people join groups who want to be leaders or can automatically emerge as leaders. The role of leaders is quite significant to the members of a group.

4. **Interaction:** People get an opportunity to interact in a group and they join it or come together and form it. Through interaction, a social relationship is developed. The need for interaction is very strong among people. A desire to have interaction is a potential reason to form a group.

GROUP NORMS

Norm refers to group behavior standards, beliefs, attitudes, traditions, expectations shared by group members. According to Michael Argyle, "Group norms are rules or guidelines of accepted behavior which are established by a group and used to monitor the behavior of its members."

The group norms determine how members of a group should behave. They determine the behavior of the group. Group norms regulate the behavior of a group. Group norms help in understanding group behavior.

Norms cannot be violated. Any violation of group norms by any member invites criticism and imposing of sanctions. Group norms are framed to achieve the objectives of the group. Norms enhance social interaction. Group norms establish role relationships. The high-profile members have to play a leading role in a group.

Group norms can be social, ethical. Group norms portray a certain image of its members. Norms provide a base for controlling the behavior of group members. Norms are applied to all the members informally and all members are expected to strictly adhere to them.

Norms in certain companies prescribe a typical kind of dress for its members. Individual members and groups benefit from the norms. They make the members identify themselves with the group. Norms play a significant role in disciplining the members of a group so that they work regularly; attend the plant or office daily. This reduces absenteeism and employee turnover. Norms control work behavior, the term came to be known since famous Hawthorne experiments conducted by Elton Mayo and associates. Norms are formed in respect of consequences. The members of the group are expected to stick up to norms strictly. This will make the group more cohesive, increase satisfaction. The members get more support from the group. According to Rensis Likert, "group forces are very important in influencing the behavior of an individual, and the members of an informal group conform to group norms."

The development of norms takes place because of the experience of some senior members of the group. The behavior of the members also plays an important role in setting norms. Norms are developed through decisions, the supervisor's instructions to his subordinates, and some critical incidents in member's life. Norms need to be enforced strictly because they ensure the survival of the group. For regulation of the behavior of group member's strict enforcement of norms become necessary.

GROUP COHESIVENESS

Cohesiveness is an important characteristic of a group. Rensis Likert has defined cohesiveness as “the attractiveness of the members to the group or resistance of the members to leaving it.” It refers to the attachment of the members to the group.

According to K. Aswathappa, “cohesiveness is understood as the extent of liking each member has towards others and how far everyone wants to remain as a member of the group.” It is a degree of attachment among members of the group and to group membership. Attractiveness is the key to cohesiveness. A cohesive group attracts membership from new members. It also changes in degree over time.

Factors affecting cohesiveness

1. **Group Formation Factors:** The factors which are responsible for group formation such as common interests, shared goals, etc. serve as the base for cohesiveness.
2. **Interaction:** Interaction between the group members makes the group more cohesive.
3. **Difficulty in Membership:** Some groups take great care in selecting their members and making admission to them very difficult. Difficulty in getting membership increases the cohesiveness of the group. Such groups are valued by members and feel proud of being members.
4. **Success:** The success of individual or shared objectives by the members feels pride about the success resulting in greater cohesion of the group.
5. **Threat:** When members of a group feel threatened from any source, external in particular increases cohesiveness.
6. **Size of Group:** The size of the group affects its cohesiveness. Increased size of the group decreases its cohesiveness and vice versa. The small size of the group facilitates more interaction among the group members, hence more cohesiveness.
7. **Continued Membership:** Membership of the group is continued by its members for a longer period increasing the cohesiveness of the group. New members do not get membership easily because of opposition from the old members.
8. **Attitude and Values:** The cohesiveness of the group increases because of shared attitudes and values. Everyone gets attracted to people having identical attitudes, values, and beliefs. The sense of security and safety develops with like-minded people.

Advantages of Cohesiveness

- The members of cohesive groups have high morale.
- They don't have conflicting views; hence decrease in conflicts among the group members at the workplace or elsewhere.
- People of cohesive groups have no anxiety at the workplace.
- Members of cohesive groups are free from botheration; hence they are very regular at their work. This reduces absenteeism and high employee turnover.





- Cohesiveness increases productivity.
- Organizations gain from the members of cohesive groups because they communicate better; they share ideologies and respect the opinions of fellow employees. This all creates an environment of cooperation resulting in benefits to the organizations in the form of increased productivity, low employee turnover, etc.

GROUPS AND PRODUCTIVITY

Groups are an essential part of any organization. Groups are of immense help to the manager in his day-to-day management. Cohesive groups are effective. Managers must allow the groups to be cohesive. The effective group leads to higher productivity because of low turnover and low absenteeism. Stogdill conducted studies and concluded that in some there was no relationship between productivity and group cohesiveness, there was a positive relationship and in some cohesive groups were least productive.

GROUP BEHAVIOUR

Management must understand group behavior because it affects productivity, day-to-day administration, communication, etc. Management cannot free itself from the influence of the group. A supervisor is a link between management and the group.

He communicates the decisions of top management to the employees at a lower level and the feeling of the staff at the lower level reaches top management through the supervisor. He is in a key position. He must therefore understand group behavior and make use of the group for achievement of organizational goals.

He makes use of their energy for attaining those tasks which were lying unattended so far. The supervisor can easily obtain the cooperation of the group leader in task accomplishment that can yield results. He can develop a good relationship with the group by providing a good working environment. Group behavior can be task-oriented and human relations-oriented.

Through the group, various tasks can be accomplished and better human relations can be developed. Moreno has developed a socio-metric analysis to study workgroup behavior. Under this method self-reports from group members are obtained indicating likes and dislikes of working with other members of the group. A socio-gram is prepared based on information. This analysis helps in comparing results with the formal requirement. Group behavior can be effectively utilized for implementing change.

GROUP CHANGE

Group change on certain occasions seems necessary. Groups have taken the shapes of small organization teams in the form of various sections of departments, work teams, study teams, project teams are some of the instances to name. Reshuffling of the entire team or removing some men and inducting the new one becomes inevitable. To meet the demands from the members of the group to remove a member to revitalize the group or to sort out internal conflicts have to be met.

Group change also becomes evident from the fact that interpersonal tensions are mounting

because of certain reasons such as some members wanting to leave the group and join the other one as they could not pull on working with some of the members of the group. Under such circumstances, group change becomes inevitable for effective teamwork.

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4.8 GROUPS VS TEAMS

Definition of Group

A group is an assemblage of persons who work, interact and cooperate with one another in achieving a common goal in a specified time. The identity of the group members is taken individually. The members share information and resources with other group members. In an organisation, the groups are made on the basis of common interests, beliefs, experience in common fields and principles, so that they can easily coordinate with each other.

Definition of Team

A group of people who are joined for achieving a common goal within a stipulated period, having collective accountability is known as the team. The agenda of the team is “one for all and all for one”. Apart from sharing information, the team members also share the responsibility of the team task. The team is always responsible for the outcome (i.e. Result of the collective efforts of the team members).

The team members have a mutual understanding with other members. They work jointly to maximise the strengths and minimise the weakness by complementing each other. The most important feature of a team is “synergy” i.e. the team can achieve much more as the members can achieve individually. The three key features of team functioning are:

- Cohesion
- Confrontation
- Collaboration

For example: Cricket team, team for accomplishing a project, team of doctors, management team etc.

COMPARISON CHART

BASIS FOR COMPARISON	GROUP	TEAM
Meaning	A collection of individuals who work together in completing a task.	A group of persons having collective identity joined together, to accomplish a goal.
Leadership	Only one leader	More than one
Members	Independent	Interdependent
Process	Discuss, Decide and Delegate.	Discuss, Decide and Do.
Work Products	Individual	Collective



Focus on	Accomplishing individual goals.	Accomplishing team goals.
Accountability	Individually	Either individually or mutually

STAGES OF TEAM FORMATION

There are certain stages which a team undergoes. This model of team formation was set forth by Psychologist Bruce Tuckman in his 1965 article “Developmental Sequence in Small Groups” and his 4 initial and the last one (adjourning) that he added later have become a universal reference theory to study team development. These stages are Forming, Storming, Norming and Performing. The last stage that was added later is called as Adjourning. Let us first understand the stages of team formation.

1. **Forming:** The first stage is forming, which is when the members within the team first come together to meet. It can be considered the period of orientation when everyone is getting to know one another and becoming acquainted.

Think of the forming stage like the first day of school or the first day at a new job. There’s excitement in the air and everyone is ready to roll up their sleeves and get started on the project. Usually, group dynamics and roles have yet to be established, a team leader will typically emerge and take charge and direct the individual members.

The forming stage is also where team members discuss things like:

- Team goals
- Individual roles
- Strategy
- Ground rules

2. **Storming:** Next up is storming. Stage two of five is considered the most critical but also the most difficult to go through. It can be riddled with conflict as the individual personalities and work styles clash within the team. It’s also common for team performance to dip a bit in the storming stage as members can sometimes disagree on goals, strategy, responsibilities, and roles. Also, keep an eye out for subgroups or cliques that can begin to form during this stage.

In order to not get bottlenecked in the storming stage, members have to work together and play to each other’s strengths to overcome obstacles and stay on pace. Also, take the time to address and overcome conflicts early on so they don’t stay an issue throughout the other phases.

Think of this phase like when you move in with a friend you’ve never lived with before, and you slowly start to notice the little things about them that get on your nerves. The same is likely to happen with members of your team. While some teams think they can skip this stage, it’s important to dive into it with the expectation that there may be some conflict.

3. **Norming:** Once you've weathered the storm, pun intended, your team can move into norming. Here, team members have figured out how to work together and there's no more conflict or internal competitions lingering. Unity is upon everyone and a consensus develops around who the leaders are, what everyone's role is, and what comes next. There's also a sense of bonding between the team and is more familiar with each other's personalities and sense of humor. There should also be a sense of comfort in the norming stage when giving constructive feedback or asking for help as you work through various tasks.
4. **Performing:** Next up is the performing stage, which tends to be where there is the most cohesive work environment, people are happy and excited, and team performance is at an all-time high. There's a clear and stable structure in place throughout the group and everyone is fully committed to achieving the goals put in place. In the performing stage, there's a sense of focus, purpose, and alignment from everyone on the team, no matter their role. Remember that no matter what, problems and conflict can still emerge, but they're handled and dealt with in a constructive and honest manner. And, because there's a bond and a relationship already built amongst the team members, it's easier and faster to get to a resolution if a conflict were to occur.
5. **Adjourning:** Last but not least is the adjourning stage. Sometimes also called the termination, mourning, or ending stage, most, if not all, of the goals of the team have been accomplished. The project as a whole is being wrapped up and final tasks and documentation are completed. As the workload becomes smaller, it's common for team members to be taken off the assignment and delegated to a new project. The team members also usually debrief and discuss what went well and what could be improved on for projects in the future. Depending on how long the project lasted and the bond that was formed, there is sometimes a ceremonial celebration of the work that was completed and the overall success of the project.



4.9 TEAM BUILDING

Team building is the process of turning a group of individual contributing employees into a cohesive team—a group of people organized to work together to meet the needs of their customers by accomplishing their purpose and goals.

Team building creates stronger bonds among the members of a group. The individual members respect each other and their differences and share common goals and expectations. Team building can include the daily interaction that employees engage in when working together to carry out the requirements of their jobs. This form of team building is natural and can be assisted if the group takes the time to come up with a set of team norms. These norms help group members know how to appropriately interact on the team and with the rest of the organization. Team building can also involve structured activities and exercises led by team members. Or, with the proper budget and goals, managers can contract out for facilitation with an external resource.



STRATEGIES FOR TEAM BUILDING

1. **Hold regular corporate retreats:** Work with no play makes employees dull, unmotivated, and socially distant. It increases burnout and causes employees to leave their jobs prematurely. Everything doesn't have to be solely centered around deadlines, output, productivity, and profits. It should also be centered around people's well-being, both physical and mental. Team building is much easier and less stressful when people have fun and are not under stress.
2. **Nurture leaders, not workers:** Leaders are motivated, focused, and committed to every project they handle. They don't just report to work because they need a paycheck at the end of each month. They come to work with goals in their mind; wanting to make a difference in their projects, departments, organization, industry, and the world as a whole. They are always ready to share their expertise for the benefit of other team members. They understand that as much as they could have a better scope or comprehension of a task at hand, their solution might not always be the only way.
3. **Encourage collaboration and not just communication:** Frequent communication is a necessity in any team. It is the tool that helps team members share ideas, overcome obstacles, pass instructions amongst themselves, and resolve conflicts. It eliminates duplicity in a team and enhances collaboration. But it does not end there, successful teams excel in collaboration. This means sharing knowledge and the freedom to ask questions and give answers without fear.
4. **Help members understand their role and mission:** Members of your team applied for the job because they had general ideas of what their roles entail. Help each employee to align their career goals with the team's overall goals. When everyone knows what they are expected to do, you prevent duplicity of roles and create a cohesive team in which everyone respects each other's contributions.
5. **Develop strong conflict resolution mechanisms:** It is wishful thinking to assume that all workers will work in harmony despite their diverse cultural and professional backgrounds, different ambitions, generational gaps, contrasting personalities, as well as religious and gender preferences.

ESSENTIAL CONDITIONS IN TEAM BUILDING

Clarity of roles: Each member of the team should have clarity on their roles. Confusion in roles leads to either shunning of responsibilities or over burdening self with tasks. To avoid this and to ensure that each member has clarity of their own roles and those of the team members; clear communication is required from the team leader. Individual KRA's (Key Result Areas) in line with the team objectives should be made available to each member.

Collective Responsibility: The team should be collectively responsible for its performance. If this attitude is absent in the team; and if there is a failure, then people try to slum the responsibility of the failure. But if the team members have a sense of belonging to then team; they ensure that not only their own performance but their peers' performance is also up to the mark. They understand that everyone is equally responsible for the results of the team and thus work to help the weaker members also.



Unity of team: It is essential that the team be united. Unification does not mean an absence of conflicts; but it means that whatever conflicts are there in the team should not be visible to the outsiders. Internal conflicts can be resolved through able communication but when these conflicts are visible to people outside the team; it creates a negative impression of the team and hampers the overall relationships of team members due to interference from outside. The team should stand as a single unit and be connected to each other for the well-being of each members.

Team Equity: The leader should ensure equity for every member of the team. Discrimination in salaries or benefits should not be encouraged and the leader should ensure that every team member gets what he or she deserves as a compensation for their efforts. Appreciation for the team should mean appreciation for every member and the leader's actions should be inspiring and motivating for the team.

Sense of belonging: Every member should feel a sense of belonging to the team. Team members give dedication to the team when they belong to it. Humans need appreciation and acceptance to keep their inner drive going which happens when they contribute to the team. Hence the leader and the members should work to feel each other comfortable in the team.

4.10 MANAGING TEAMS

Managing a team to success requires more than just simply appointing tasks to people. A crucial role in cultivating business growth, being in charge of team management requires a fusion of interpersonal, technical, and of course, organizational skills. Being tasked with the responsibility of guiding a team towards their target requires particular skills, especially if you're going to be good at it. Traditionally, a manager's job is to deal with the administration of the business, things like setting the strategy, organizing resources, and coordinating employees. But nowadays, it takes more than just being a tip-top organizer to manage a team successfully.

1. **Maintain good communication:** Employees want to be kept in the loop about ongoing projects, goals, and deadlines, so it's essential that you communicate well with them and inform them about goings-on within the organization. It's also essential that you encourage feedback and that your staff feel that they can approach you with any questions or issues they want to address, so making yourself accessible to your staff is critical.
2. **Build positive working relationships:** It's important to get to know members of your team individually, not only on a professional level but on a more personal level too. When you put the effort in to get to know a bit more about how your colleagues are doing and what they are interested in, it will build a much better rapport among the team.
3. **Acknowledge good work:** Don't be one of these bosses who only gives feedback when you've got something to criticize! By providing your staff with positive feedback it will help to build their confidence and encourage them to get more



involved in the future, so it's vital that you acknowledge their achievements and the effort that they are putting in. Encourage creativity and ensure that everyone is clear about what is expected of them.

4. **Be real:** Your team doesn't expect you to be superhuman, so if you're feeling the pressure and need a helping hand, don't be afraid to admit it and if you make a mistake, own up! By showing the human side of yourself and allowing your staff to get to know you a bit better, your team will feel more relaxed and comfortable approaching you.
5. **Be decisive:** A good leader needs to be able to assert their authority and make important decisions for the team. There is no space for flakiness in a leadership role, so it's crucial that you stick to your guns and go with what you feel is best for the business.
6. **Delegate jobs to the right people:** Part of why it is vital that you establish a relationship with your team and get to know them individually is so you can assess what their strengths are. People perform better and are more engaged in roles where they feel they are employing their best skills, so delegating proper functions that suit each will have a significant impact on the productivity of the team.
7. **Manage conflict:** When there is conflict in the workplace, it should not be ignored. Turning a blind eye could lead to a negative atmosphere, which could have implications for staff productivity, and communication among the team may suffer. When an issue arises, it's crucial that it is addressed straight away before it builds.
8. **Set a good example:** Your staff will look to you for guidance and inspiration, so it's essential that you set a good example to gain their respect. If you expect them to behave professionally and commit to their work, it's vital that you do so yourself. Make sure that you are doing your job, continuing to develop your career and support your team in doing so too.

4.11 LEADER VS MANAGER

The concept of leadership has evolved over time and from the normally accepted attitude that "Leaders are born" has shifted to "Leaders are created". The advent of all types of businesses and the evolution of the concepts of team, employee engagement, employee satisfaction and increasing competition has led to shifting the burden of guiding businesses on the leaders. The ability of leaders to lead or guide the businesses towards its goals is monitored to a greater extent now.

Leaders in business are not necessarily only those who sit at the top; but leaders can be found at all levels in the organization. Leaders can be found in all hierarchies of the organization and the management should develop these leaders as they are the influencers of the teams they work with.

Leaders influence the perception, motivation, communication, personality and the overall behaviour of people. They build a bridge of communication between the top management and the employees.

Stogdill (1950) defined leadership as, “the process (act) of influencing the activities of an organized group in its efforts toward goal setting and goal achievement. “

Kotter (1988) defined leadership as, “the process of moving a group (or groups) in a direction through mostly non-coercive means.”

Drucker (1996) summarized the ideas on leadership in one sentence, “the only definition of a leader is someone that has followers”

All these definitions point towards an important thing about leadership - that it is not just a quality but a process. These are series of actions that produce something to lead to a result.

Leader V/s Manager

There are various points of distinction between a leader and a manager and their activities of work are also different. Managers first instinct is to ensure that the work is done while a leader looks at the bigger picture. Both have an important place in the organization and cannot necessarily fill in for the other's role always. It takes a lot of skill for a person to shift their roles from a manager to leader and back. And usually managers can gradually learn leadership but there are few who succeed.

MANAGER	LEADER
Looks after procedures, roles and responsibilities	Is more concerned with aspirations, needs, morale and motivation
Acts as an official authority	Acts as an authoritative individual
Communicates clear targets and numbers Seeks control of people and supervision Interest in achievements of his team Requires action without providing justification of request	Spreads vision of business and strategy
Provides directions and instructions	Builds trust and confidence in people
Team members may feel demotivated due to the enforcement of tasks	Promotes growth of team
Communication is without passion and is more official and professional	Engages people to make them understand the need of the task

NATURE OF LEADERSHIP

The nature of leadership can be summed up as follows:

1. **Creation of followers:** Leadership has a basic function of creating followers. It would naturally fail without followers and the leaders have to make sure there are buyers for their ideas of the organization. That alone would ensure that they remain the leaders in organization.
2. **Common goal Purpose:** Leaders have to reiterate and reinforce the ideas of people sharing a common goal in the organization. Their job is to facilitate the process of aligning personal goals to the organizational goals.
3. **Ability to ensure actions:** Leaders need the ability to put people in action. This cannot be done by coercion as it would achieve incomplete results. The charm of



a leader and the conviction they have in the organization's goals leads people to believe in them and thus put them into action.

4. **Social Interaction:** Leadership is an interpersonal process of influencing behavior. Leaders lead by example and people tend to follow their behavior. The interactions of Leaders have to be carefully planned and still be sincere enough to influence people.
5. **Continuous Process:** Leadership is a continuous activity. Leaders are observed and looked up to constantly. It is also a psychological process where in a leader has to be in inquired state of mind to be able to influence behaviour of people.
6. **Power Relationship:** Leaders exude power. An uneven distribution of power characterizes leaders. A person holding power over the other team members becomes the leader of the team.

FUNCTIONS OF LEADERSHIP

1. **To develop team work:** One of the primary objectives of the leader are to develop a congenial environment which is performance oriented in the organization. The leader has to work towards making teams a closely knit part of the organization.
2. **Act as a representative of the employees:** The leader has to act as a representative of the employees and protect their interests. He/she has to act as a link of communication between the work group and the management.
3. **Be a counsellor and guide for employees:** People require not only guidance but counselling help from time to time. The leader has to play the role of a counsellor in such cases; and ensure that he helps people solve their problems.
4. **Proper use of power:** Having power comes with great responsibilities. Leaders need to ensure that they use their powers only for the best of others and not to exploit others.
5. **Ensure effectiveness of group efforts:** A leader must provide a reward system to motivate the employees and teams to give their best performance. Leaders must constantly motivate and encourage employees to not only give their best but also take initiatives for the betterment of the organization.

4.12 LEADERSHIP STYLES

The total pattern of leaders' actions as perceived by their employees is called leadership style. It represents the leaders' philosophy, skills and attitudes in practice. It is necessary to study the different leadership styles from which an appropriate style can be selected, depending upon the situation in which leadership is to be exercised and the nature of the followers involved.

1. **Autocratic or Authoritarian leadership:** An autocratic leader centralizes power and decision-making in himself. He gives orders, assigns tasks and duties without consulting the employees. The leader takes full authority and assumes full responsibility. Autocratic leadership is negative, based on threats and punishment. Subordinates act as he directs. He neither cares for their opinions nor permits them to influence the decision. He believes that because of his authority he alone

can decide what is best in a given situation. Autocratic leadership is based upon close supervision, clear-cut direction and commanding order of the superior. It facilitates quick decisions, prompt action and unity of direction. It depends on a lesser degree of delegation. But too much use of authority might result in strikes and industrial disputes. It is likely to produce frustration and retard the growth of the capacity of employees.

2. **Democratic or Participative leadership:** Participative or democratic leaders decentralise authority. It is characterised by consultation with the subordinates and their participation in the formulation of plans and policies. He encourages participation in decision-making. He leads the subordinates mainly through persuasion and example rather than fear and force. Sometimes the leader serves as a moderator of the ideas and suggestions from his group. McGregor labels this style as Theory Y. Taylor's scientific management was based on the inability of the ordinary employees to make effective decisions about their work. Hence the decision-making power was vested with the management. But recent studies indicate the need for participation by subordinates. The modern trend favours sharing the responsibility with the employees.

This will foster enthusiasm in them. The employees feel that management is interested in them as well as in their ideas and suggestions. They will, therefore, place their suggestions for improvement.

Advantages for democratic leadership are as follows:

- Higher motivation and improved morale.
 - Increased co-operation with the management.
 - Improved job performance.
 - Reduction of grievances.
 - Reduction of absenteeism and employee turnover.
3. **The Laissez-faire or Free-rein leadership:** Free-rein leaders avoid power and responsibility. The laissez-faire or non-interfering type of leader passes on the responsibility for decision-making to his subordinates and takes a minimum of initiative in administration. He gives no direction and allows the group to establish its own goals and work out its own problems. The leader plays only a minor role. His idea is that each member of the group when left to himself will put forth his best effort and the maximum results can be achieved in this way. The leader acts as an umpire. But as no direction or control is exercised over the people, the organisation is likely to flounder.
 4. **Bureaucratic Leadership:** This is a style often found in government offices and is defined by high degree of rules, regulations and minimum degree of flexibility. The leadership is more of administration and is categorized by routine actions. Things are done as per a set procedure and there is reluctance in trying anything new. The procedures are defined by the rules and even the leader does not have authority to change the rules easily. Employees under such type of leadership usually find it difficult to grow and either becomes very dissatisfied and quit or





just mould themselves into the culture. Bureaucratic leadership is effective only when authority is important and formality is to be maintained.

5. **Charismatic Leadership:** Charismatic leaders are leaders who inspire the team by their charm and energy. They motivate the team just by being although their performance guides the team towards its goals. These types of leaders are an asset to the organization because of their high degree of influence on people. Charismatic leaders are sometimes close to the concept of hero for the teams they lead. Organizations face difficulties if such types of leaders leave the organization as the team members perceive success because of these leaders. Charismatic leaders have very good oratory skills and an ideological vision which they have an ability to translate into goals for the team. They have the ability to drive the team towards its target. They have a great rapport with people because of their interpersonal skills.

4.13 LEADERSHIP SKILLS

Leadership skills are skills you use when organising other people to reach a shared goal. Whether you're in a management position or leading a project, leadership skills require you to motivate others to complete a series of tasks often according to a schedule. Leadership is not just one skill but rather a combination of several different skills working together.

1. **Decisiveness:** Effective leaders are those who can make decisions quickly with the information they have. Effective decision-making comes with time and experience. As you become more familiar with your specific industry, you'll be able to make decisions faster, even when you don't have all of the necessary information. Decisiveness is seen as a valuable leadership skill because it can help move projects along faster and improve efficiency.
2. **Integrity:** Integrity is often seen as just truthfulness or honesty but in many cases, it also means having and standing by a set of strong values. Integrity in the workplace often means being able to make ethical choices and helping the company maintain a positive image. All businesses seek to hire workers who have a strong sense of integrity.
3. **Relationship building (or team building):** Leadership requires the ability to build and maintain a strong and collaborative team of individuals working towards the same goal. Team building requires other leadership strengths like effective communication skills and conflict resolution.
4. **Problem-solving:** Good leaders are skilled at solving issues that arise on the job. Effective problem-solving often requires staying calm and identifying a step-by-step solution. Problem-solving skills can help leaders make quick decisions, resolve obstacles with their team and external teams alike and ensure projects are completed on time according to specifications.
5. **Dependability:** Being a dependable leader means that people can trust and rely on you. A dependable person follows through on plans and keeps promises. The strong relationships built by a dependable leader create a resilient team that is able to work through difficulties that may arise.

6. **Ability to teach and mentor:** One of the skills that differentiates leadership from many other competencies is the ability to teach and mentor. Effectively teaching colleagues or subordinates how to grow in their careers helps organisations scale. Often, this skill requires that leaders think less about themselves and more about how to make their team, as a whole, successful.

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4.14 CHAPTER SUMMARY

This chapter gives an overview of the concept of Organizational Behaviour. It explains the need to study the topic and how it has evolved over the years. Just like a human being has evolved over millions of years; the studies related to behaviour of humans will continue to evolve too. Understanding behaviour of people in organizational setting, will enable managers, team leaders and team members to get the best out of people by using managerial styles similar to the behaviour of a person. The final goal of the organization is always getting optimum results from human resources and the methodology will always be as dynamic as the human nature.

In psychology, an attitude refers to a set of emotions, beliefs, and behaviours toward a particular object, person, thing, or event. Attitudes are often the result of experience or upbringing, and they can have a powerful influence over behaviour. While attitudes are enduring, they can also change. Psychologists define attitudes as a learned tendency to evaluate things in a certain way. This can include evaluations of people, issues, objects, or events. Such evaluations are often positive or negative, but they can also be uncertain at times.

Behaviour of a person is completely dependent on the attitude a person carries in their mind. It is about the way they feel or experience about a particular place or person. The attitude which a person brings along at work is responsible for their behaviour towards their work, team and organization. These attitudes vary with respect to factors like salary, benefits, boss's nature and leadership style, instructions provided at work and their clarity, work environment etc. Employees will usually get along with the team and follow the leader if their attitude is positive. Perception is defined as the process by which an individual select, organizes and interprets stimuli into a meaningful and coherent picture of the world. It is a cognitive process by which people attend to incoming stimuli, organise and interpret such stimuli into behaviour. Motivation is goal-directed behaviour. People are motivated when they expect that a course of action is likely to lead to the attainment of a goal and a valued reward – one that satisfies their needs and wants.

As read in the unit; groups and teams help an organization to use the least resources and still synergize efforts to get maximum benefits. The types of groups and their formation depends on the nature and objectives of the members. Groups are essential elements of an organization and it has become a necessity today to manage and engage human resources.

The measure of success is different to every team. From the executive board in a corporate enterprise, to the creative department in a small agency, each team has their own purpose, goals, and objectives. They also have their own set of individuals who make up the team.

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Just think of the plethora of personalities, skill sets, and experiences; it is highly unlikely that two teams are the same. As a manager, your job is to steer your team towards achieving the end goal. This not only means coordinating the process that will meet your objectives within its required criteria and timeframe, but it also means having to consider and accommodate to the individuals involved. Achieve this kind of harmony, and you are well on your way to a fruitful result.

Leadership might be an inborn talent or a skill which most managers of today have to develop; a sure thing is that Leadership is a necessity to take the organization towards its vision. Leaders are capable of not only having this vision for the organization but also to drive the employees towards this vision irrespective of the employees' ability to see the vision. Leaders build trust in within the team members and also build communication between the management and the employees. A good leader is able to use diverse leadership styles as per the need of the situation and is flexible enough to do so.

4.15 REVIEW QUESTIONS

SHORT ANSWER TYPE QUESTIONS

1. Define leader and Leadership.
2. Discuss about the different strategies of team building.
3. Why study of organization behavior is important in managing an organization?
4. What is perception? Explain its nature.
5. What is attitude? Explain components of attitude.

LONG ANSWER TYPE QUESTIONS

1. Explain the different leadership styles with examples.
2. Discuss the evolution of organization behavior.
3. Discuss about the four experiments performed under Hawthorne studies.
4. Explain the stages of team formation.
5. Explain Group Behaviour and Types of Groups.

4.16 MULTIPLE CHOICE QUESTIONS

1. There are _____ types of motivation.
 - a. 1
 - b. 2
 - c. 3
 - d. 4
2. There are _____ type of components of attitude.
 - a. 1
 - b. 2

- c. 3
 - d. 4
3. Which is not the key elements of organizational behaviour?
- a. People
 - b. Structure
 - c. Technology
 - d. Isolated behavior
4. Who is known as “Father of Scientific Management”?
- a. F. W. Taylor
 - b. Mc Gregor
 - c. Peter Drucker
 - d. Peter Senge
5. What are the essential conditions in team building?
- a. Clarity of roles
 - b. Collective Responsibility
 - c. Unity of team
 - d. All of them
6. There are five stages in team formation. The last stage which was added later is known as _____.
- a. Storming
 - b. Norming
 - c. Performing
 - d. Adjourning
7. An _____ leader centralizes power and decision-making in himself. He gives orders, assigns tasks and duties without consulting the employees.
- a. Democratic
 - b. Charismatic
 - c. Autocratic
 - d. Laissez-faire
8. The _____ type of leader passes on the responsibility for decision-making to his subordinates and takes a minimum of initiative in administration.
- a. Democratic
 - b. Charismatic
 - c. Autocratic
 - d. Laissez-faire



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9. _____ groups are created as part of the organization's structure to accomplish organizational tasks.
- Formal
 - Informal
 - Both a and b
 - Small
10. Groups that consists of two persons only called _____.
- Formal Group
 - Informal Group
 - Dyad Group
 - None of the above

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ORGANIZATION SYSTEM AND MANAGING CHANGE

STRUCTURE

- 5.1 Learning Objective
- 5.2 Introduction to Organization Culture
- 5.3 Approaches to Organizational Culture
- 5.4 How to get employees to follow the Culture
- 5.5 Emerging trends in Organizational Culture
- 5.6 Organizational Change
- 5.7 Implementing Organizational Change
- 5.8 Chapter Summary
- 5.9 Review Questions
- 5.10 Multiple Choice Questions



5.1 LEARNING OBJECTIVE

After completing this unit, you will be able to understand -

- Define organizational culture and systems
- Understand the various approaches to Organizational Culture
- How employees should be included in the organizational culture
- Understand emerging issues in organizational culture
- Concept of change management for an organization
- Reasons why people resist change
- How organizations learn to tackle with changes in internal and external environment.

5.2 INTRODUCTION TO ORGANIZATION CULTURE

A great organizational culture is the key to developing the traits necessary for business success. Organizational culture is a set of values and systems which are followed uniformly throughout the organization. An organization's culture is what distinguishes it from other organizations.

Geert Hofstede, a widely known Dutch researcher of culture, has defined culture as “the collective programming of the mind which distinguishes the members of one group or category of people from another.”

Hanks defines culture as “the behaviour, patterns, symbols, institutions, values, and other human made components of the society “.

Patricia Marshall defines it as “consistent ways in which people experience, interpret, and respond to the world around”.

Organizational culture includes an organization's expectations, experiences, philosophy, as well as the values that guide member behavior, and is expressed in member self-image, inner workings, interactions with the outside world, and future expectations. Culture is based on shared attitudes, beliefs, customs, and written and unwritten rules that have been developed over time and are considered valid (The Business Dictionary).

Culture also includes the organization's vision, values, norms, systems, symbols, language, assumptions, beliefs, and habits (Needle, 2004).

Simply stated, organizational culture is “the way things are done around here” (Deal & Kennedy, 2000).

While the above definitions of culture express how the construct plays out in the workplace, other definitions stress employee behavioral components, and how organizational culture directly influences the behaviors of employees within an organization.

Under this set of definitions, organizational culture is a set of shared assumptions that

guide what happens in organizations by defining appropriate behavior for various situations (Ravasi & Schultz, 2006). Organizational culture affects the way people and groups interact with each other, with clients, and with stakeholders. Also, organizational culture may influence how much employees identify with their organization (Schrodt, 2002).

In business terms, other phrases are often used interchangeably, including “corporate culture,” “workplace culture,” and “business culture.”

ORGANIZATION AS A SYSTEM

An organizational system is the design or blue print of the company which describes the roles, responsibilities and relationships within the organization. It defines the systems of how work is carried out, what responses are expected for predictable situation, what roles are expected to be played, etc.

The vision and mission of the organization determines the goals and objectives which are further divided into tasks for every member of the organization. These tasks have certain behaviours involved too. The behaviours are sometimes reactions and sometimes responses to changing situations. The goals of the organization and the tasks keep changing according to the changes in the internal and external environment. These changes too have to be accommodated and integrated in the culture of the organization else they will result in a chaos.

Systems are required to be set so that the entire team works in synchronization with each other. The systems have their own sub systems to accommodate different elements and factors which influence the stakeholders of the organization.

The organization as a system constitutes a Social system and a Technical system.

ORGANIZATION AS A SYSTEM	
Social System	Technical System
Individual - personality, values, needs	Procedures, processes, methods, techniques used by members
Group nouns, values, standards, formal, Informal, Intel personal relations	Structure, plans, policies and process of formal organization Authority distribution
Emotion, and Sentiments, Personal and social relations	Rationality, Relationship of superior and subordinate, Conversion Process

A social sub system includes the individuals and groups and the relational dynamics between them. An individual's behaviour is mainly shaped by his personality, values, needs and beliefs. These same things shape their behaviour in a group too. Individuals' behaviours lead to formation of norms in the groups, defining of values and standards for the groups. People whose interests or behaviours match group together. These groups slowly start to





influence behaviours inside and outside the group. They start to define a system of their own whether positive or negative. These groups may be formal or informal and are mainly categorized by the kind of personal and social relations shared within them. Exercise of authority and power affects the behaviour of the group and can change its course gradually.

The Technical systems have subsystems of procedures, methods etc. which depend on the nature of functions being performed in the organization. The plans, policies and processes change with the methodology of the way people work. The rationality of decisions taken also depends on the structure of the organization and the thought process of people taking the decisions.

FEATURES OF THE ORGANIZATIONAL CULTURE

1. Unique and Distinctive

An organization's culture has values which are unique to them. This happens because the values and beliefs often stem from the founders; who have their own experiences which define the values and beliefs based on which they conduct their business. The history of the organization has a large influence on the culture and thus is distinctive from the other organizations. The behaviour of the founders often defines the patterns of communication, systems and procedures while the experiences, values and beliefs of the founders often translate into the vision and mission of the organization. For example: The start-up culture which currently defines the business scenario of India; forms a community of very open minded and experimental leaders. The start-ups have a culture of openness in their communication and a flat hierarchy which empowers employees and even stake holders to take active part in decision making.

2. Stability

The culture of an organization is characterized to a large extent by its stability. An organization which has a very large life cycle needs stability to survive in turbulent times. Generations and thought processes change but an organization cannot altogether change its entire culture to accommodate every single change in the environment. That will create a chaos. Instead, the stability provided by the Organizational Culture gives the organization the strength to accommodate changes in the environment keeping certain traditions and values intact.

3. Implicit and Explicit Nature

Culture has been an intangible factor and thus difficult to communicate. As the culture changes over time; organizations are becoming more communicative as to what type of culture is expected within and what are the elements of the culture to be projected outside of the organization.

4. Symbolic Representation

A culture cannot be exactly put into words. The values and beliefs which define the culture are visible in the behaviour of management and certain formal procedures which are followed stringently by the organization. The way an organization treats

its employees or values its customers is visible in every policy and is communicated thus to all stakeholders.

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FUNCTIONS OF ORGANIZATIONAL CULTURE

1. Providing an identity to stakeholders

A culture gives an identity to the employees of an organization. People are often identified by their organizations not only because of the brand they work with but the values which are nurtured by these organizations.

2. Facilitates collective commitment

A culture helps people believe in some common factors or values which in turn helps them connect with the organization. The more engaged an employee is; the more commitment is fostered from his side towards the organization.

3. Provides boundaries to behaviour

A culture provides boundaries to behaviour and helps to shape this behaviour by putting in systems to do so. It sets examples of acceptable and unacceptable behaviour for employees and directs everyone towards achieving a sense of belonging by creating uniformity.

4. Control Mechanism

A culture provides a control mechanism and defines control measures for behaviours. It also defines behaviours where intervention and corrective actions are required.

5. Strategy Foundation

The culture of an organization influences the formulation of strategies to a large extent. This is because strategic decisions are taken at the top of the hierarchy where the culture itself has emerged, for example: the advertisements of companies' products show a large part of their beliefs nowadays. Majority processed food companies showcase how they want their food to be healthy yet easy to cook. Or advertisements showcasing concern like our mothers about the taste and nutrition of the processed food. These values are conveyed to the customer to showcase the culture of the organization.

5.3 APPROACHES TO ORGANIZATIONAL CULTURE

Basically there are two approaches to describe organisation culture viz.:

- The Ouchi's Framework and
- The Peters and Waterman Approach.

THE OUCHI FRAMEWORK

William W. Ouchi has first analysed the cultures of a limited group of companies. He has analysed the culture of three groups of companies viz.- (a) typical US companies, (b) typical Japanese Companies and (c) type Z companies.



- **Period of Employment:** Japanese companies provide lifetime employment. Similar culture of providing long-term employment is also adopted by theory Z companies. Typical US companies do not have the culture of providing employment commitment to its employees.
- **Evaluation:** Theory Z firms concentrate on evaluation and training and promote the employees slowly. Japanese companies also promote the employees slowly. But the typical US companies promote the employees at a faster rate.
- **Career Paths:** Japanese firms follow the culture of very general careers. Employees are rotated among jobs and are encouraged to be familiar with all areas of operations. Theory Z firms also adopt similar culture. But the typical American companies adopt the culture of highly specialised jobs.
- **Decision-Making:** Japanese firms and theory Z firms have participative decision-making culture whereas typical American companies have the culture of individual decision-making.
- **Control:** Japanese companies have the culture of implicit and informal control whereas the typical American companies have the culture of explicit and formal control. Theory Z firms' culture in this regard includes informal control and explicit performance appraisal.
- **Responsibility:** Typical American companies and theory Z firms share the same culture of individual responsibility. Japanese firms follow the culture of group responsibility.
- **Concern for People:** Japanese firms are concerned with the total life of the employee. Theory Z firms also follow similar culture of expanding to more aspects of the worker's total life. Typical American firms' culture is limited to worker's work life only.

According to Ouchi, the culture of Japanese firms and Theory Z firms helped them to outperform typical US companies. Toyota introduced management styles and culture of Japanese firms in North America. Investment and positive belief in human resources by Japanese companies and Theory Z firms resulted in significant improvement in long-term performance.

THE PETERS AND WATERMAN APPROACH

Relationship between the organisational culture and performance is focussed more explicitly by Tom Peters and Robert Waterman in their book on "In Search of Excellence." Peter and Waterman described the management practices of highly successful US companies. They found that cultural values led to successful management practices.

- **Bias for Action:** According to Peters and Waterman, managers of successful firms make decision, even if all the facts are not available as delay in decision-making costs the organisation. Thus, they show bias for action. Organisations with the cultural values of bias for action out-perform the companies without such values.
- **Stay Close to the Customer:** Superior customer service and building relations

with the customers are the cultural values of the excellently performing firms. Scandinavian Airlines with these cultural values started making money when other airlines were in financial problems in 1989. Therefore 'provide and perform what the customer needs' should be the cultural value for excellence.

- **Autonomy and Entrepreneurship:** Successful firms never opt for bureaucracy. They go for small, independent and autonomous business units. Managers are expected to be entrepreneurs and intrapreneurs in order to bring creations and innovations into the business.
- **Productivity through People:** The most important asset for successful organisation is its human resources. It is the core value for organisation culture. Organisations achieve higher productivity through such valuable people.
- **Hands-on-Management:** Managers should not manage by sitting in their offices. Instead, they should manage by 'walking-around' or 'wandering around' the plant, the design facility, R&D etc., in order to have first-hand experience in managing.
- **Stick to the Knitting:** Successful business firms stick to their core and distinctive competencies. Therefore, they stick to the business portfolio in which they have core and distinctive competencies and do not opt for conglomerate diversification (or unrelated diversification),
- **Simple Form, Lean Staff:** Excellent firms are with a flat structure with a few levels and less number of employees. This type of firms depends on the performance of the staff concerned and not on their size.
- **Simultaneously Loose and Tight Organisation:** Peters and Waterman view that successful organisations are tight as the members share common values and the organisation is loose as the members can take their decisions.

Various approaches to organisational culture and the cultural values of the excellent firms while discussing the relationship between the culture and performance. We learnt that participative and humanistic culture leads to higher performance. Now, most of us get a nagging doubt that how employees learn such organisational culture.

5.4 HOW TO GET EMPLOYEES TO FOLLOW THE CULTURE

There are different modes through which employees learn the organizational culture like stories, rituals, material symbols and languages.

- **Stories** are experiences that happen to employees or are observed by them while others follow the culture of the organization. These are observations mainly of the veterans or seniors in the organization doing certain things or behaving in a certain manner; repetitive instances of which are imitated by new employees.
- **Rituals** are repetitive sequences of activities which reinforce the key values and beliefs of the organization. Rituals are a way of ensuring a communication of importance of that particular activity to employees. For example; many corporations; big and small celebrate their foundation day which reinforces the message to employees



that the formation of the organization is an important event and that its values and beliefs should be cherished and nurtured by everyone.

- **Material symbols** are materialistic things like furniture or office designs etc. which showcase the thought process or value system of an organization. For example; a large number of companies have said good bye to cabin culture and have created cubicles for their employees. The top management sits in cabins surrounded by transparent glass and many keep their doors constantly open. This reinforces openness in communication and makes the team members and managers easily approachable.
- **The language/terminology** commonly used in the company brings people together because it is common to the organization only. The terminology thus becomes an intrinsic thing shared only by members of the organization. This knowledge brings a sense of belongingness to the team and seeps a culture of togetherness in people.

These 4 ways or methods are ongoing processes by which way people become a part of the organizational culture.

Improving Organisational Culture

Some of the important ways of improving organisational culture are discussed as follows:

1. **Training and development** of employees in the right way is an important step towards improving the organisation's work culture.
2. **Analysing the existing culture** and comparing it with the expectations and perceptions of employees brings changes accordingly.
3. **Create a diverse team of enthusiastic people**, who are interested in working as a team and improving the work atmosphere as a whole.
4. **Healthy communication**, good leadership with strategies adopted to build an attractive culture.
5. **Handling conflicts** by way of creating an unbiased, transparent and impartial conflict resolution mechanism.
6. **Team-building** along with synergy is a must to attain the organisation's objectives to build effective culture. Synergetic and cooperative teamwork is manifestation of a healthy organisational climate.

5.5 EMERGING TRENDS IN ORGANIZATIONAL CULTURE

Globalization has brought with it a sense of claustrophobia as the world grows smaller and a connection is found with the most unpredictable factor in businesses all over the world. Although globalization began long back; it has caught speed and countries are opening up for other countries to invest in businesses. The changing scenarios of business bring with them a whole new array of trends, challenges and opportunities for organizational culture.

The recent and upcoming trends in organizational culture can be discussed as below-

Innovation: Innovation and a focus on providing solution oriented products across the world are the keys to survival and sustainability in the markets today. Products are easily

available to larger markets today through the rise of ecommerce and online retail websites. Innovation in products, systems and technology has all become the constant need of businesses.

Intrapreneurship: It is a concept of being an internal entrepreneur for your organization. An intrapreneur is a person who works for an organization but runs his unit as if he was the owner. So the responsibilities and decision making authorities all lie with the unit head thus giving him more power and freedom that he would normally get in a generic organization. This way of working ensures that the business is run in a focused manner by a person whose only focus would be to give results for his own unit or team.

Empowerment: More and more businesses are moving towards empowering their employees and making them a part of decision making process. This involves creation of smaller teams amongst larger teams and just informing teams of end results desired by the organization. The teams then decide on the methodology to work things out.

Information Technology: The advent of information technology and the speed at which it grows has a huge influence on the way businesses are run and evaluated. Information technology enables following of values like team work, customer service, job rotation, job enrichment, autonomous employee groups etc. through its various devices and techniques which have helped mankind in different areas. IT helps expedite decisions and work while minimizing the need for unnecessary red-tapism. It also eradicates inefficiency through its technological advancements.

CHECK YOUR PROGRESS

1. Define organization as a system.
2. Define the steps of improving organizational culture.
3. How does an organization ensure that employees understand their culture and follow it.
4. What is Organizational Culture?
5. What are the emerging trends in organizational culture?

5.6 ORGANIZATIONAL CHANGE

An organization is impacted upon by a lot of elements which can be internal and external. Constant changes in the environment of the organization require all the stakeholders go through certain adjustment with or without their knowledge. Resistance to change is a human tendency and thus there is a lot of management that goes into bringing change in a smooth manner. Whether they realize or not; but each stakeholder is going through the motions of change due to the dynamic environment of the organization.

For example; let's see how a change in the composition of a product brings about minor or major changes for each stake holder. Consider the case of McDonalds which is a very popular food chain all over the world. When McDonalds wanted to enter in India; they had to change their entire menu to accommodate vegetarian food. Till the time they



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entered India; their entire menu was purely non vegetarian but their market survey in India indicated a high number of vegetarians; catering to which posed a huge question to the management. That was when they designed a vegetarian menu which for the first time was introduced in India.

This major change affected all stakeholders in different manners. The purchase department had to find new vendors to supply required materials for the vegetarian food. The quality department had to create new quality standards for quality check of the new menu. The servers and managers had to learn to prepare the items put on the menu; while the advertising and marketing also had to incorporate this change to match Indian advertising preferences. The customers also were impacted with change positively because entry of McDonalds in India presented a whole new culture of fast food in the country.

Change is a part of life and provides opportunity for growth. It is a conscious decision by the management of organisation. In any organisation, we have people engaged in production, research, development, administration, etc. The organisation in order to change should prepare a stock of the situation and should effect change in their attitude and style of functioning.

An organisation is an open system which implies that it is in a constant interaction and interdependent relationship with its environment. Any change can occur in its environment, such as change in consumer tastes and preferences, competition, economic policies of the government, etc.

An organisation consists of interrelated and interacting system, to perform complicated tasks such as:

- Authority and power system.
- Reorganisation of the tool and techniques used in the system evolving proving of better equipment.
- Change in the attitudes and behaviours and interpersonal relationship of people working in the organisation through systematic manpower planning.
- Delaying to flatten structures.
- Change to multiple reporting relationships.
- Jobs designed to grow.
- Increase in job flexibility.
- Increase in organisational flexibility.
- Need for clear, measurable, and flexible standards of performance at all level, etc.

Organizational changes are of two types:

- **Reactive changes:** Reactive changes occur when forces compel organization to implement change without delay. In other words, when demands made by the forces are compiled in a passive manner, such a change is called reactive change.

- **Proactive changes (planned changes):** Proactive changes occur when some factors make realize organization think over and finally decide that implementation of a particular change is necessary. Then, the change is introduced in a planned manner.



FORCES OF CHANGE

Following are some of the causes of organizational changes which lead to disequilibrium and resistance:

Change in Tools, Machines and Equipment: Technological or mechanical changes in machines, tools and equipment's may bring change in the organization. For example, installation of an automatic machinery in place of old machinery, may result in displacement or re- placement of people or loss of job to people and may create disequilibrium.

Change in Methods and Procedures: Man is a creature of habits. He feels irritated when change occurs in methods and procedures of work of which he is accustomed to. As it takes time to adjust to the new environment, it creates disequilibrium till the complete adjustment to the new environment.

Change in Business Conditions: Changes in business conditions such as change in the quality of the product, change in the marketing system or practices, business cycles, change in industrial policy etc. all create disequilibrium in the work-environment and it needs adjustment accordingly.

Change in Managerial Personal: Change in the managerial personal in the organization may result in disequilibrium. Some personnel may retire or change place or may be appointed afresh, this will all affect the policies, practices, procedures and programmes of the organization and the people are to adjust themselves accordingly.

Change in Formal Organization Structure: The formal organization structure establishes a form and line of command of authority and responsibility in an organization. Along with these lines, channels of communication and interpersonal relations are established. If there is a change in this formal organizational structure, there will be a change in the formal relationship which creates disequilibrium.

Change in Informal Organization: Informal organization is a must in every formal organization and is a very important part of our existence because many of our motivational forces find satisfaction in this relationship. Consequently when management likes to introduce any change that disturbs the informal relationship established among people there is bound to be a state of imbalance.

All the reasons for organizational change can be classified into two categories namely external reasons and internal reasons:

1. **External Reasons:** A number of changes in the external environment may cause change in the organization. Here, we are mentioning some of the most common and obvious external reasons of organizational change-
 - **Government Rules and Regulations:** One can catalogue a long list of the Government's rules and regulations necessitating changes in organizations.



For example, the recent slashing of grants by the University Grants Commission (UGC) to the Universities have forced them to strengthen their revenue generating functions, such as training programmes, consultancy, offering self-financing courses, etc. Likewise, the Government's policy to privatise the power sector encouraged Jayprakash and the DLF to diversify into the power sector.

- **Competition:** The present time is the survival of the fittest. Organizations need to come up the challenges posed by the competitors to sustain and survive. In 1993, Mudra Communication decided to reorganise itself to counter the threats from its competitors Lintas and HTA.
 - **Technological Advances:** Technology has become the buzzword of the time. Rapid changes in technology has posed a question before the organization – either run or ruin. The revolutionary change in communication technology, i.e., communication satellite, cable networking, dish antenna, etc., compelled the Doordarshan to restructure itself by segmenting its services to different categories of viewers and become more competitive.
 - **Change in People Requirements:** Customers dictate organization what they actually require. With changing requirements of customers, the five-star-hotels have, of late, started to offer new services, such as business centres, conference hall facilities, secretarial services, etc.
2. **Internal Reasons:** Though there may be a host of internal factors that may also cause change in organizations, some of the illustrative ones are listed here:
- **Change in Leadership:** Leadership changes culture and values in the organizations. V. Krishnamurty of SAIL, Tapan Mitra of INDAL, Ratan Tata of Tata Sons are the examples how the change in leadership led to internal changes in these organizations.
 - **Introducing New Technology:** Introduction of new technology in an organization is bound to have consequences for other functions as well. For examples, the computerisation of the Examination Division of the M.K. University affected other aspects as well, such as reporting relationships, span of control, co-ordination mechanism and so on.
 - **The Domino Effect:** The source of change is change itself. The domino effect means one change triggers off a series of related changes. For example, establishing a new department, e.g., the Department of Business Administration may cause the creation of teaching and non-teaching positions, budgeting allocation, building construction etc. Ignoring domino effect leads to the problems of co-ordination and control.
 - **For Meeting Crises:** Just like human life, some unforeseen happening, say, crisis in the organization makes continuation of the status quo unthinkable and difficult. Sudden death of a CEO, the resignation of the executives holding key positions, loss of major suppliers, a drastic cutback in budget and

civil disturbances are the examples of unforeseen crises. These make the organizational condition unstable and this instability becomes the stimulus for thorough self-assessment and reform to change the organization to overcome the crisis before it.

- **Organizational Life-Cycle:** As human beings pass through certain sequential stages of life-cycle, so do the organizations also. As an organization grows from tiny sized to giant sized or from young to mature stage, according to Larry Greiner, it passes through five stages.

Each stage creates new demands for adjustment for the organization and so, act as a potent sources of organizational change. Each stage culminates in a crisis (which Greiner calls 'revolution'), which the organization must overcome before graduating to the next stage.

5.7 IMPLEMENTING ORGANIZATIONAL CHANGE

How to Manage Organisational Change?

Though the people have agreed and are convinced of expected change in organisation, the immediate question before the strategists is how to manage the change? No company wants to be the victim of change but victor of the change. This managing is an import art that asks for display of skills of developing an action plan or a process that makes the company to turn the corner successfully.

1. **Anticipating Change:** To start with the leaders of the organisation are expected to anticipate change by analysing the external environment and applying their intuitions to predict the change management can magnify the opportunities and miniaturing the threats from the forces of change in the market place by anticipating the change. The management can leverage the resources and exploit opportunities for its own growth which is possible with superior skills of anticipation.
2. **Identifying the Change:** The organisational leaders are to identify the changes and evaluate as to how their organisation can match its strategy, structure, systems, skills styles, staff and super-ordinate the goal to the external driving forces of competitors, customers, contradictions and other conditions of the market place. This calls for an intricate diagnosis of the organisation in the back- drop of changing environment. Wise leaders are bold and frank enough to question themselves about their vulnerability to strategic changes, opportunities they can pocket out of the change, gap between the desired performance and the real ground performance.
3. **Selling the Change:** There is dire need for selling the change through effective communication to different executives and the employees at all the levels to bring about change. It is effective communication that creates awareness about change and to prepare the people for extending their whole-hearted support through commitment for change. Hence, it is up to the leaders at top to bring home the benefits of change that accrue to the organisation and, therefore to the people who make the organisation.





4. **Mobilising Resources for Change:** Introduction of change can be effective only when the people responsible build a team or sub-teams and assimilate resources. The leader at the top has to involve the people at different positions commanding authority. Further, the people with requisite expertise, acumen and experience are to be consulted. This cements the task of mobilising the resources and channelizing in right direction.
5. **Breaking Down the Comfort Zones:** The challenge of introducing change is the crucial task of changing the mind-set of people so that they feel comfortable with old habits and the deep rooted practices, even when they are misdirected. People prefer status-quo in order to avoid change. It is the inertia of these status-quo seekers of doing something in a different way. Hence, it is the major task of the leaders to break down these comfort zones through injecting and bolstering the sense of urgency. It can be done in different ways; We way to raise organisational goal in terms of increased market share or revenue; another way is to go in for professionals from outside for diagnosing the problem area and bringing up the performance level. Again, managers at various levels are expected to always question themselves of their perceptions and the existing practices.
6. **Reinforcing Change Success:** In case the change-leaders and change-teams are convinced of an early success, it is the proof of the fact that change has worked. This gives a kick-start and the momentum continues to propel and impel change efforts pushing forward. This should be brought to the notice of people which helps to get a lasting commitment to change.
7. **Continuous Learning and Change:** Effective implementation of change warrants turning of an “existing” organisation into ‘learning’ organisation and “creative” organisation in which people learn continually and put forth their new ideas which are innovative and creative and share these ideas with others. This process can be further facilitated by making the organisation structure more flexible and easy gliding where people at different layers and at different points of layers communicate freely, frankly and immaculately.

REASONS FOR RESISTANCE TO CHANGE

In spite of the fact that the organisational change is almost inevitable, organisations are forced to face certain restraints or resistance or barriers to change. These barriers are broadly of two kinds.

Behavioural Barriers: When we take of behaviour, it relates to individuals and group of individuals or bunch of groups. That is, it is the ‘mind-set’ of the people which influences the way they perceive, think, feel and act in any situation that calls for change. People resist change because of their working of their mind sets.

In case of individuals these reasons for resisting change may be economic, social, and psychological in nature. Group resistance is mainly caused because of the fear that they more remain cohesive and well-knit group to fight for a cause. They have a very strong sense of belongingness or loyalty and commitment to group which one can call as group solidarity.

Organisational resistance stands for individuals and groups together resistance. These causes of resistance may be threat to power, group inertia, organisational, structure, and threat to specialisation, sunk costs and resource constraints.

Resource Barriers: Resource barriers are nothing but resource constraints. These resources may be financial, technological, marketing and personnel-act as barriers-when they are insufficient or inadequate quantitatively and qualitatively to bring about change for the better future status.

The market shares enjoyed by M.N.Cs-in businesses- manufacturing and trading as many potential Indian companies lack technological superiority, innovations, supply chain management knowledge of market and the brand management and so on. To compete with these MNCs, Indian companies will have to make their products and services better, cheaper, adequate and timely.

ADVANTAGES OF CHANGE FOR THE ORGANIZATION AND EMPLOYEES

1. **Keeping up with the competition:** The young generation of the country is now inclined towards coming up with innovative entrepreneurship and their businesses are customer and solution focused. This increases competition because in a densely populated country like ours there are a lot of creative people coming up with innovative solutions offered as services. Businesses are not only going for expansion but largely moving for diversification because of easy availability of workforce. This keeps business owners and management to be on their toes to keep up with changes. A recent example is that of how Snapdeal, Flipkart, Amazon and likes are coming up with different strategies and discounts to keep their customers engaged.
2. **Globalization:** With the opening up of global markets; not only did new opportunities come up but the number of competitors increased. Managements are now required to study cultures, customers, economics and politics of every country they have businesses in. Uber Cabs which is a leading taxi provider all over the world also had to study and change their business model to suit Indian customers' buying behaviour.
3. **Changing roles of human resources:** Human resources are no more resources which are put on the liabilities side of the balance sheet. The education pattern is changing and so is the thinking pattern of people. Employees are looking forward to different and challenging roles which are dynamic enough to change over time and enrich them holistically. Employees are not required for clerical jobs because those jobs can be handled by computers; and analytics is taking over the job profile of people. In this scenario; upgrading as fast as possible to keep up with constant up gradations in business are the only way to survive for people.
4. **Technological Changes:** Businesses today are completely reliant and dependant on information technology. Processes are becoming knowledge oriented and knowledge of recent trends in business is a must. Be it production, financial management or the IT industry; technology keeps changing frequently and employees have to be trained continuously to adapt to these changes.





5. **Changing nature of businesses and customer relationships:** Quick response to changes in customer relationships will retain customers and keep them engaged. Customers now not only expect price discounts but continuous engagement to make them feel important. Trends like Customer relationship management, Customers clubs or benefit cards etc. have to be taken rigorously because these activities ensure that the customers keep choosing the company each time the service is required.
6. **Changing trends of employment:** Companies look for cutting costs and still getting the best talents bring new trends like flexi timings, work from home, part time assignments and freelance projects which give freedom to both; the company and the employee.

MODELS OF CHANGE MANAGEMENT

1. **Lewin's change management model:** Developed in the 1940s, Lewin's change management model remains relevant because of its simple yet effective structure. According to the change model's namesake, Kurt Lewin, organizational change management can be broken down into three smaller, more manageable stages:
 - Unfreeze
 - Change
 - Refreeze

A physicist by trade, Lewin used the example of turning a cube of ice into a cone of ice and applied it to organizational change management.

Lewin's change management model



First, a team or organization must “unfreeze” their current process and perceptions when preparing for upcoming changes. This step helps the team approach the task or challenge with a clean slate without bias or bad habits.

Next, it's time to implement changes. Effective change requires clear and constant communication across all affected channels both during and after deployment.

Finally, it's time to “refreeze.” Assuming accurate feedback and ongoing communication occurred during the “change” step, the refreeze step locks into place the new process. Like ice molds, teams and organizations need to move away from an old mold before they can fit into a new one.



The Lewin change model, while too simplistic for some, is favored by others for its ability to uncover old patterns or overlooked problems as well as for its clean approach to new ways of thinking.

2. **Kotter's 8-step change model:** Developed by John Kotter after a survey of over 100 organizations in flux, the Kotter 8-step change model also focuses more on the people experiencing large organizational changes rather than the changes themselves. The eight steps are:

- Create a sense of urgency.
- Build a strong coalition.
- Form a strategic vision.
- Get everyone's buy-in.
- Enable action by removing barriers.
- Generate short-term wins.
- Sustain acceleration.
- Institute change.

Kotter's change management process skillfully turns possibly resistant individuals into receptive participants through trust, transparency, and teamwork. By identifying the end goal, employing everyone's involvement, and executing the impending changes together, this process remains a long-standing favorite among change management models.

3. **McKinsey 7s model:** The McKinsey 7s model was developed at the McKinsey consulting firm by Thomas J. Peters and Robert H. Waterman during the 1970s to evaluate how the different parts of an organization work together. According to the 7s model, there are seven fundamental elements of every organization:

McKinsey 7s model	
Hard elements (easiest to identify and control)	Soft elements (more subjective and difficult to change)
Strategy	Shared values
Structure	Staff
System	Style
	Skills

These elements are interconnected, and if one element is altered, the change will ripple out and affect the other elements. Companies tend to use the 7s model when they implement changes in the organization and need to align different departments and processes.

5. 8 CHAPTER SUMMARY

Organizational systems are the core of an organization and form the foundation on which businesses are built. Values, beliefs, traditions make up the organization culture

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and facilitates creating a set pattern of procedures, techniques and methods as a reference point for employees. Organizational culture has the capacity to become an organization's greatest strength or weakness and needs to be created and nurtured accordingly by the Top Management.

Organizational change is necessary for companies to succeed and grow. Change management drives the successful adoption and usage of change within the business. It allows employees to understand and commit to the shift and work effectively during it.

Without effective organizational change management, company transitions can be rocky and expensive in terms of both time and resources. They can also result in lower employee morale and competent skill development. Ultimately, a lack of effective change management can lead the organization to fail.

5.9 REVIEW QUESTIONS

SHORT ANSWER TYPE QUESTIONS

1. Explain with examples the concept of organization as a system.
2. Discuss the approaches to organizational culture in detail.
3. Discuss about the McKinsey Model of Change.
4. Discuss about Peters and Waterman approach
5. Discuss how the emerging issues in culture are affecting the organizations.

LONG ANSWER TYPE QUESTIONS

1. The reasons for organizational change can be classified into two categories. Explain them.
2. Why do employees resist change? Explain in detail the reasons for resistance to change.
3. How should an organization approach change? Discuss.
4. Explain Kotter's 8 step model of change.
5. How to get employees to follow the culture?

5.10 MULTIPLE CHOICE QUESTIONS

1. According to the 7s model, there are seven fundamental elements of every organization. From which 3 are hard elements. They are: _____
 - a. Strategy
 - b. Structure
 - c. System
 - d. All of them
2. According to the 7s model, there are seven fundamental elements of every organization. From which 4 are soft elements. They include: _____
 - a. Shared values

- b. Strategy
 - c. Structure
 - d. System
3. Developed in the _____, Lewin's change management model remains relevant because of its simple yet effective structure.
- a. 1960s
 - b. 1920s
 - c. 1940s
 - d. 1910s
4. The _____ means one change triggers off a series of related changes.
- a. Meeting Crises
 - b. Domino effect
 - c. Organizational life-cycle
 - d. Change in leadership
5. Organizational change are of two types. It includes: _____
- a. Reactive changes
 - b. Proactive changes
 - c. Both a and b
 - d. Active changes
6. There are different modes through which employees learn the organizational culture like _____.
- a. Stories
 - b. Rituals
 - c. material symbols
 - d. languages
 - e. All of the above
7. Which of the following is not the function of organizational culture?
- a. Providing an identity to stakeholders
 - b. Facilitates collective commitment
 - c. Does not Provide boundaries to behaviour
 - d. Control Mechanism
8. Which of the following is not the feature of the organizational culture?
- a. Unique and Distinctive
 - b. Instability
 - c. Implicit and Explicit Nature
 - d. Symbolic Representation



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9. The vision and mission of the organization determines the goals and objectives which are further divided into _____ for every member of the organization.
 - a. Fields
 - b. Work
 - c. Tasks
 - d. Aims

10. Some of the important ways of improving organisational culture does not includes _____
 - a. Training and development of employees
 - b. Analysing the existing culture
 - c. Create a diverse team of enthusiastic people
 - d. Unhealthy communication

◆◆◆◆

ANSWER KEYS

UNIT I

QUES. NO.	ANSWER	QUES. NO.	ANSWER
1.	b.	6.	a.
2.	a.	7.	c.
3.	a.	8.	b.
4.	c.	9.	a.
5.	b.	10.	c.

UNIT II

QUES. NO.	ANSWER	QUES. NO.	ANSWER
1.	a.	6.	b.
2.	d.	7.	a.
3.	b.	8.	a.
4.	c.	9.	b.
5.	a.	10.	c.

UNIT III

QUES. NO.	ANSWER	QUES. NO.	ANSWER
1.	a.	6.	c.
2.	c.	7.	b.
3.	b.	8.	a.
4.	a.	9.	d.
5.	b.	10.	a.

UNIT IV

QUES. NO.	ANSWER	QUES. NO.	ANSWER
1.	b.	6.	d.
2.	c.	7.	c.
3.	d.	8.	b.
4.	a.	9.	a.
5.	d.	10.	c.

UNIT V

Ques. No.	Answer	Ques. No.	Answer
1.	d.	6.	e.
2.	a.	7.	c.
3.	c.	8.	b.
4.	b.	9.	c.
5.	c.	10.	d.

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