Human Resource Management

Developed By
Prof. Venkat Iyer

On behalf of
Prin. L.N.Welingkar Institute of Management Development & Research
Rajesh Sekharan believed that if you respected Time, Time respected you. And hence, he reported to work at Globodyne Ltd. half an hour earlier than his reporting time of 9.30 a.m. on a Monday morning in May 2009. You see, it was also his first day at his first job. And he was part excited and part nervous to start the job. Looking at Rajesh - medium height, fair complexion, neatly combed hair, ironed clothes, confident walk - you could probably mistake him for a manager.

He was guided by the security officials and the pretty secretary Lata, to the office of his new boss - the Vice President of the Human Resource department, Mr. Ajay Verma.

Rajesh (knocks on the cabin door):
May I come in, Sir??

Ajay Verma: Yes, please come in.

Rajesh: Good morning, Sir. I am Rajesh Sekharan, your new driver.

Ajay Verma: Oh ok. Welcome to Globodyne. Well, tell me something about yourself.

Rajesh: Sir, I have studied up to the 12th standard and had plans to study and graduate in Commerce. But due to my father's death last year and my family's poor status, I decided to take up a job. I knew driving and since I already had got my driver's license, I decided to become a driver. My mother is a teacher in a government school and my younger sister is still studying in school.

Ajay Verma: I am sorry to hear about your father. Whatever help you need, let me know. Your duty will be to come to my house every morning at 8 a.m. and drive me to office. At the end of the day, I leave for home at 7 p.m. You will also have to drive me to any meetings or functions. Also, once in a month I travel to our factory at Ghansoli.

Rajesh: Ok, Sir.

And so, the story continues.........
Introduction to Human Resource Management

OBJECTIVES:

After completing this chapter, you should be able to understand:

• What is Human Resource Management (HRM)

• Functions involved in HRM

• How HR has evolved over the years.

• Differentiate between Personnel management, Industrial relations, HRM and HRD.

• Process of HRM in an organisation

• Factors affecting HRM in an organisation.

• Future of HRM - Strategic HRM & HCM.
STRUCTURE:

1.1 Nature of Human Resource Management (HRM)
1.2 Functions in HRM
1.3 Evolution of HRM
1.4 Difference between Personnel management, Industrial relations, HRM and HRD.
1.5 Process of HR
1.6 Factors affecting HRM
1.7 Future of HRM
1.8 Summary
1.9 Self assessment questions

The story continues……..

After a few days, Ajay Verma had to visit the factory at Ghansoli. On the way to the factory………

Ajay Verma: What So Rajesh, are you enjoying your work?? What about your studies??

Rajesh: Yes Sir, I am enjoying my work. As far as studies are concerned, I have joined a distance learning course but I am finding it difficult to understand certain subjects like Human Resource Management.

Ajay Verma: Is it?? Well, ask me questions and I will try my best to answer them.

Rajesh: What is Human Resource Management (HRM)?? What is the need for HRM?? What are the functions involved in HRM??
1.1 NATURE OF HUMAN RESOURCE MANAGEMENT (HRM)

Human Resource Management is basically the management of human resources in an organization. It is a process where people and organizations are brought together so that the goals of each are met. In a dynamic and competitive business environment, it is very necessary for an organization to have the right resources especially their employees, to survive and succeed.

Organisations have realized that they may be technologically advanced but it is the people who offer competitive advantage to an organisation. How do people provide the competitive advantage? People offer skills, capabilities, systems, practices, speed, language, bonding and behaviours, which help an organisation to execute its strategies successfully. Nowadays, organisations ensure that along with the organisational objectives, even the individual objectives of their employees, are achieved.

1.2 FUNCTIONS IN HRM

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<th>HRM typically consists of the following functions:</th>
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<tr>
<td><strong>Planning</strong>: Preparing forecasts of future HR on the basis of an organisation’s environment, mission, objectives and strategies.</td>
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<tr>
<td><strong>Staffing</strong>: Obtaining people with the appropriate skills, abilities, knowledge and experience to fill jobs in the organisation. This involves human resource planning, job analysis, recruitment and selection.</td>
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<tr>
<td><strong>Developing</strong>: Analyzing learning requirements to ensure that employees possess the knowledge and skills to perform their jobs satisfactorily or to advance in the organisation. Performance appraisal is done to identify an employees’ key skills and ‘competencies’.</td>
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<tr>
<td><strong>Monitoring</strong>: This includes job evaluation, performance appraisal, pay and benefits.</td>
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<tr>
<td><strong>Maintaining</strong>: This involves workplace safety, health and welfare policies and compliance with statutory requirements.</td>
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*Rajesh*: Oh, so this is what HRM is all about. But Sir, how did it start?

*Ajay Verma*: Well, it all started with the industrialization………
1.3 EVOLUTION OF HRM

<table>
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<tr>
<th>Period:</th>
<th>Milestones in the Development of Human Resource Management</th>
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<tr>
<td>1890-1910:</td>
<td>Frederick Taylor develops his ideas on scientific management. Taylor advocates scientific selection of workers based on qualifications and also argues for incentive-based compensation systems to motivate employees.</td>
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<td>1910-1930:</td>
<td>Many companies establish departments devoted to maintaining the welfare of workers. The discipline of industrial psychology begins to develop. Industrial psychology, along with the advent of World War I, leads to advancements in employment testing and selection.</td>
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<td>1930-1945:</td>
<td>The interpretation of the Hawthorne Studies' begins to have an impact on management thought and practice. Greater emphasis is placed on the social and informal aspects of the workplace affecting worker productivity. Increasing the job satisfaction of workers is cited as a means to increase their productivity.</td>
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<td>1945-1965:</td>
<td>In the U.S., a tremendous surge in union membership between 1935 and 1950 leads to a greater emphasis on collective bargaining and labor relations within personnel management. Compensation and benefits administration also increase in importance as unions negotiate paid vacations, paid holidays, and insurance coverage.</td>
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<td>1965-1985:</td>
<td>The Civil Rights movement in the U.S. reaches its apex with passage of the Civil Rights Act of 1964. The personnel function is dramatically affected by Title VII of the CRA, which prohibits discrimination on the basis of race, color, sex, religion, and national origin. In the years following the passage of the CRA, equal employment opportunity and affirmative action become key human resource management responsibilities.</td>
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<td>1985-present:</td>
<td>Three trends dramatically impact HRM. The first is the increasing diversity of the labor force, in terms of age, gender, race, and ethnicity. HRM concerns evolve from Equal Employment Opportunity and affirmative action to &quot;managing diversity.&quot; A second trend is the globalization of business and the accompanying technological revolution. These factors have led to dramatic changes in transportation, communication, and labor markets. The third trend, which is related to the first two, is the focus on HRM as a &quot;strategic&quot; function. HRM concerns and concepts must be integrated into the overall strategic planning of the firm in order to cope with rapid change, intense competition, and pressure for increased efficiency.</td>
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Activity A

List down the stages in the development of HRM.

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Rajesh: Sir, but I am confused. So many times, people use the terms - HRM, Personnel Management, Industrial Relations…..do they mean the same thing?

Ajay Verma: Yes I know. Many people use these words and they think they are talking about the same thing. But there is a slight difference in all these terms.

1.4 DIFFERENCE BETWEEN PERSONNEL MANAGEMENT, INDUSTRIAL RELATIONS, HRM AND HRD

Personnel Management is concerned with manpower planning, recruitment, selection, placement, transfer, promotion, training and development, lay off and retrenchment, remuneration and incentives. Industrial relations cover union-management relations, joint consultation, collective bargaining, grievance and disciplinary procedures. Human Resource Management includes Personnel management and Industrial relations as well as the welfare aspect which includes working conditions and amenities. HRM is also different from Human Resource Development (HRD). HRD is a function which is more concerned with training and development, career planning and development, and organisational development. HRD is a part of HRM.
Rajesh: Thank you Sir. You have resolved a major query for me. Now I can understand what these terms stand for whenever they are used by other people.

Ajay Verma: I am glad to hear it…

Rajesh: How is the HR process structured in an organisation?

Ajay Verma: Yes, I was just getting to that topic.

### 1.5 HRM PROCESS

HRM is an ongoing process and it starts from Job Analysis. The HR process in an organisation is structured as below:
Job Analysis: It is the process of collecting job related information which will then help in the designing of a job.

Manpower planning: Process of forecasting an organisation's future demand for, and supply of, the right type of people in the right number.

Recruitment & Selection: Recruitment involves attracting and obtaining applications from eligible job-seekers. Selection is the process of choosing the right individuals for a job in an organisation, out of the pool of job applicants.

Motivation: Motivation undertakes to understand and change an employee's behaviour for increase in the employee's performance.

Training and Development: It refers to the imparting of requisite skills, abilities and knowledge to an employee.

Employee Welfare: Employee welfare ensures that an employee receives other benefits and services like good working conditions, retirement benefits, leave, leave encashment, etc.

Performance Appraisal: It is an objective assessment of an individual's performance against the individual's objectives or benchmark laid down.

Compensation Administration: Compensation or remuneration is what an employee receives in return for his or her contribution to an organisation. Compensation Administration is concerned with the administrative aspect of the compensation dispersal.

Separation: Separation is a process concerned with when an employee leaves an organisation either voluntarily or involuntarily.

Ajay Verma: That, in a nutshell, was how HR works in an organisation. I will explain these in depth, later.

Rajesh: Ok Sir. By the way, is HR affected by what happens in the world? Or is it only concerned with the organisation?

Ajay Verma: HR is very much affected by what happens in the world around us.
HRM is affected by the environment in which it functions and HR professionals have to understand the various forces which form the environment for a better functioning of the organisation. HRM functions in 2 environments - internal and external.

External environment consists of the political factor, legal factor, job market, competitors, customers, economic growth, diversity, globalization, technological factor and cultural factor.

Internal environment consists of forces like strategy, unions and organizational culture.

EXTERNAL ENVIRONMENT

• Political-Legal

HRM is impacted by the various political forces or institutions in a country. This can be seen by the sons-of-soil policy followed by political parties. HR professionals have to ensure that the recruitment of employees is done by keeping this in mind.

Any changes in the political party may also result in a subsequent change in the labour laws laid down. HR professionals have to take due care as to the selection of employees is done with the various reservation requirement. They also have to ensure that there is no discrimination done on basis of religion, race, caste, sex or place of birth. They also have to ensure that there is no employment of children in the factories and that there is equality of opportunity in terms of employment. All HR activities are affected by the various labour laws and care has to be taken that the activities are carried out with due diligence to these labour laws.

• Job Market

Job market provides the supply to the organisation. Job market consists of employment exchanges, universities, colleges, training institutes, consulting firms, etc. The quality of the human resources in an organisation depends on the quality of the job market. HR professionals have to look for the best quality while recruiting employees for the organisation.
Introduction to Human Resource Management

• Competitors

Competition plays a very important role in some of the HR functions. Today, there are several job offers for a right candidate and the candidate chooses the organisation with the most attractive terms and conditions. When there is a scarcity of skilled and talented professionals, the organisation and its HR department have to groom its own employees through training and development. The HR department also has to retain them through attractive pay packages.

• Customers

Today, in a highly competitive and demanding world, customers want high-quality products and services at reasonable prices. The quality of products and services offered is mostly affected by the employees who provide these services. In such a scenario, the qualifications and the skills of the employees comes into focus.

• Economic growth

The quality of labour and human resources is affected by the economic growth or conditions prevalent in a country. In advanced countries, the government spends more on education and health facilities, which in turn assures better quality of labour. This in turn ensures higher productivity. In developing countries, the governments have understood this importance and hence are developing policies that will ensure better education and health facilities.

• Diversity

Today, the human resources function is characterized by diversity. The human resources in any MNC is very diverse in terms of nationalities, cultures, religions, languages and dialects, educational qualifications, skills, age, genders and other factors. HR managers must learn to manage this diversity so that it helps the organisation in terms of creativity, innovation, increased productivity and improved decision making.

• Globalization

‘The world has become local’ - the world today is moving towards globalization. This in turn has a lot of influence on HR functions. The
hiring, training, compensation and retaining strategies are adopted and followed keeping the global perspective in mind. A knowledgeable and skilled Human resource force keeps a company competitive and attracts foreign investments, joint ventures and collaborations. The mantra followed by many companies is - 'Be Local, Think Global'.

- **Technological factor**

  Technology has affected HR functions considerably. Today's highly competitive market means that the changes in technology happen almost on a daily basis. Employees have to keep abreast of the recent technological changes especially in the field of Information Technology. Job seekers are highly professional and knowledgeable. Today, it is very common for a Software Engineer to enroll himself for a MBA degree in Finance. It becomes very difficult for HR managers of an organisation to manage such a highly talented and technology advanced professionals. HR has to devise new strategies to motivate, train and retain these employees. Today with technology advancement, it is very common to find employees working from home rather than from office. Constant advances in technology has put intense competitive pressure on firms to implement efficient means of operations.

- **Cultural factor**

  Attitude of human resources towards work is the result of their cultural background. Even the work ethics, achievement needs and effort-reward expectations are a result of culture. For example, Japanese workers are dedicated to achieving the highest quality in their work. This is a result of their cultural upbringing. Indian workers are committed to work and are loyal to their organisations. They equate their own individual welfare with the prosperity of the organisations. Though this is changing in the current scenario, by and large this holds true for most of the Indian workers.

**INTERNAL ENVIRONMENT**

- **Strategy**

  Strategy of an organisation ensures that the objectives of the organisation and the resources of the organisation are aligned properly. Success of many companies depends on the high alignment of their
strategy, structure, human resources and management. HR department of an organisation has to ensure that the recruitment and training of human resources is aligned with the organizational strategy, to achieve a competitive edge in the market.

• **Unions**

Unions were formed so that the workers have a collective voice which was useful for bargaining better working conditions, pay raises and other benefits. Nowadays, the trade unions have their own political linkages. Thus the HR managers have to be very careful while dealing with the Unions. Also sometimes, there are more than one union in an organisation which makes the job of the HR manager difficult while holding discussions regarding collective bargaining.

• **Organizational culture**

Every organisation has its own culture which is a product of its human resources, organizational successes and failures. The culture of an organisation reflects its vision, its past and its future. Also, there may be conflicts that arise due to mismatch of the organizational goals and the individual goals of the employees. HR department has to proactively adjust to the culture of the organisation as well as manage the conflicts that may arise out of such mismatches.
Activity B
What are the various factors that affect HRM in an organisation?

Rajesh: That was fascinating. But Sir, times are changing. Will HRM remain the same or will it change?

Ajay Verma: Time and Tide wait for no one. How will organisations survive if HRM does not change?

1.7 FUTURE OF HRM

STRATEGIC HRM

The advent of HRM has brought forth many issues like the changing employer-employee relationship. There is a need felt by the organisations to link HRM with the organisation's strategies so that they can attain a competitive edge in the global market. Today we see more and more organisations adopting Strategic Human Resource Management (SHRM). SHRM is nothing but a combination of strategy and HRM. It refers to linking of human resources with strategic goals and objectives to achieve goals of an organization.

In an organization, SHRM means accepting and involving the HR function as a strategic partner in the formulation and implementation of the company's strategies through HR activities.
Various factors like globalization, increased technological change, diversity in the human resources of an organisation and a highly competitive environment have led to the development of SHRM.

In SHRM, HR department is involved with the organization's top management in the strategic process.

SHRM helps in improving the performance of the organisation and its employees, enhancing the customer satisfaction, increase in innovation and in providing a competitive advantage.

**HUMAN CAPITAL MANAGEMENT (HCM)**

HRM might soon be replaced by Human Capital Management (HCM). HRM treats people as an organizational resource, that can be made drawn on and used to accomplish a task. But under HCM, employees are treated as if they are investors of their own capital. In short, organisations do not own this human capital but they can rent it from the employees.

In HRM, employees are seen as value addition but here they will be seen as value creation.

HCM plans to integrate people and business strategy thus driving and accelerating the business plan.

This is a fairly new concept and is yet to gain acceptance in management circles. This works best where the organisation is people-oriented and the size of the organisation is large.

*Ajay Verma:* Oh, we have reached. Give me a few hours, Rajesh. You can park the car and have your lunch. You can come back here at 5 p.m.

*Rajesh:* Ok Sir. I will have my lunch and wait for you here.
1.8 SUMMARY

Human Resource Management (HRM) is a management function that helps an organisation to manage its Human Resources. The process of HR in an organisation consists of manpower planning, job analysis, recruitment & selection, motivation techniques, training and development, employee welfare, performance appraisal, compensation administration and separation. HRM in an organisation is affected by various factors in the external (technological changes, globalization, legal, political), and internal environment (organizational strategy, unions, organizational culture). HRM in the near future will be replaced by Strategic HRM, and in the distant future it may also be replaced by HCM.

1.9 SELF ASSESSMENT QUESTIONS

1. What is HRM? What are its functions? How is the process of HRM structured in an organisation?

2. Trace the evolution of HRM.

3. What are the factors that affect HRM?
The Concept of branding or brand management is exclusively the forte of marketing. Noted marketing guru Philip Kotler defines brand as any name, term, sign or design, or a combination of them intended to identify the goods and services of one seller or group of sellers and differentiate from those of competitors. Kotler further states that, in essence, a brand identifies a seller or maker.

The definition applies exclusively to the product or service. So what is the role of HR in branding then? Marketing may do branding of product or services, HR can do the branding of the people of a company or the company itself.

Branding helps companies in creating images of their products or services. Every brand has a recall value. For example, as soon as we say we have a Sony Walkman or a Rolls Royce car, etc., do you remember when you hear Benz Mercedes? A very strong and sturdy product. Just as products or services have recall value, a company's employees also have their recall value. This recall value is important when you talk about the employees of a particular company also. Sooner someone says I am an employee of an MNC our thought process is different. However, if someone says that I am an employee of some public sector company, immediately our thought process changes. If someone says that I am a secretary with some Government. our thought process is still different. Why does our thought process change? Our thought process is a result of the image that we have in our mind.

So, your company is what your employees are. The way they act, react or respond depends on recruiting the right people and grooming them in the initial days of their career. This is where the HR department has a great role to play in Brand Management. They can draw out a systematic plan as to how to manage the perceptions of the job candidates in the job market. HR can create the brand value in the job market.

**Brand value depends on:**

a) What your current employees talk in the job market?

b) What your ex-employees talk in the job market?
c) What your suppliers talk in the job market?

d) How many employees are involved in minor/major crimes?

e) How many employees write research articles in various forums?

f) How your current, or ex-employees, vent their frustration in general forums?

Let us discuss how the HR can promote the brand of their company. Few things that the HR can do to encourage their employees are:

a) Encourage senior managers to write articles in newspapers, trade magazines etc.

b) Encourage seniors to participate in seminars conducted by CII, FICCI or chapters of AIMA.

c) Seniors can also share their experiences in the evening guest lectures conducted by NIPM, NHRD etc.

d) Seniors can give interviews in Times Ascent (published on every Wednesday by Times of India).

In each of the above cases, they may represent in their personal capacity; however, each time their company's brand is taken to the respective organisation or forum automatically.

If you look at activities of Mr. N.R. Narayan Murthy, he has promoted the brand of Infosys in a big way. Many times he has attended functions to give a mere 10 minutes speech. But to give speech of 10 minutes he commuted for about 2 hours, to and fro!

Till the 20th century, it was adequate to take care of customers. The 21st century has thrown one more challenge on managing the job market. The perceived image of the company among the job candidates plays an important role. It helps attracting candidates in the job market to join your company.

As the brand image grows so does the challenge of employee retention. However, brand image helps in managing attrition as well. One is that you get a constant pool of candidates without bothering too much about the replacement of the exited employee. Second is that the exited staff members
talk positively about the company. Turning the ex-employees into positive spokespersons of the company is a challenge of every Human Resources department. How many Human Resources departments will fit the bill?
REFERENCE MATERIAL
Click on the links below to view additional reference material for this chapter

Summary

PPT

MCQ

Video 1

Video 2

Video 3
OBJECTIVES:

After completing this chapter, you should be able to understand:

• Nature and Importance of Job Analysis.

• Process of Job analysis in an organisation.

• Different Methods used in collecting job related data.

• Nature of Job Design.

• Factors affecting job design
The story continues........

The next day after the visit to the factory, Rajesh came to Ajay Verma’s house to chauffeur him to the office. On the way ....

*Rajesh*: Good Morning, Sir.

*Ajay Verma*: Good Morning, Rajesh.

*Rajesh*: Sir, may I ask you a question ?

*Ajay Verma*: Of course, you may.

*Rajesh*: I always wanted to know how the jobs of the employees are designed in an organisation. Can you please explain it to me ??

*Ajay Verma*: Yes, of course. The jobs of the employees are designed after the job analysis is done. Let me explain....
2.1 NATURE AND IMPORTANCE OF JOB ANALYSIS

Job analysis refers to the process of collecting information about a job. It involves collection of information that includes knowledge, skill and ability an employee possesses to perform a job effectively. Job analysis is useful for managing all the personnel activities. Job related data is useful in Human resource planning, hiring and training of employees, in deciding the compensation and in the performance appraisal.

• Human Resource Planning
  Human resource planning determines as to how many and what kind of personnel will be needed in the future. The number and the kind of personnel are determined by the number of jobs which need to be staffed. Job related information is therefore very necessary for human resource planning.

• Recruitment and Selection
  The objective of hiring of employees is to match the right people with the right jobs. For this objective to be achieved, the job analysis needs to be done. A Human resource manager needs to have an understanding of the types of skills required for the different types of jobs so that he can look at the correct sources while recruiting. This understanding also helps the manager while selecting the candidates, as he can match the job requirements with the qualifications of the candidate.

• Training and Development
  Job analysis is useful for a Human resources manager as it helps him to know the requirements, in terms of knowledge and skills, to perform a job. Training and development programmes are designed on the basis of the job requirements.

• Remuneration
  Job analysis helps in determining the relative worth of each job for the purpose of establishing salary and wage structure. This in turn decides the amount of remuneration depending on the grade of the job that the employees occupy. Job analysis also determines the fringe benefits, bonus and other benefits.
• **Performance appraisal**
Performance appraisal is the assessment of the actual performance of the employee against certain expectations or objectives laid down for him. Performance appraisal is the basis for awarding promotions, transfers and assessment of training needs. Job analysis helps fix standards for performance against which the individual employee's actual performance is assessed.

• **Safety and Health**
Job analysis also helps in uncovering and identifying hazardous conditions and unhealthy environmental factors like heat, noise, fumes and dust, so that corrective actions can be taken to minimize and avoid the possibility of human injury.

**Activity A**

What is Job analysis? Describe the importance of job analysis in an organisation.

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**Ajay Verma:** I hope you have understood the importance of job analysis.

**Rajesh:** Yes, Sir !!

**Ajay Verma:** Good !! Let me now explain the job analysis process….
2.2 PROCESS OF JOB ANALYSIS

- **Strategic Choices**
  An organization has to make choices regarding the employee involvement, the level of details of the analysis, timing and frequency of analysis, orientation of the job analysis and the sources that will be used for collecting the job data.

- **Employee involvement**
  Employees are asked to supply important information about the contents of a job, as they are the ones that are most familiar with the job. Hence, the organization has to decide how much the employees will be involved. Too much involvement may result in an employee inflating his job duties and responsibilities, more than it actually is. Too little involvement may result in developing suspicion among the employees regarding the motives of the job analysis. It can also lead to inaccurate and incomplete information.

- **Level of analysis**
  The level of analysis affects the nature of the data collected. The nature of the jobs being analyzed determines the level of details in job analysis. As the nature of a job of a security guard is different from the job of a Human Resource manager, even the level of analysis of these two jobs will be different. The level of analysis also depends on the purpose for which the job related data is being collected.

- **Timing and Frequency of analysis**
  Another strategic choice that an organization has to make is regarding the timing and frequency of job analysis. When an organization is new, job analysis is initiated for the first time. Subsequently after the organization is established, job analysis is conducted whenever a new job is created, or whenever there is a significant change in the job due to changes in
technology or methods, or when the organization feels that there is an inequality between the job demands and the remuneration it pays.

• **Orientation of the job analysis**
  There are two approaches to conducting a job analysis. Job analysis can be done by looking at what has happened in the past and what is currently being done. This orientation is referred to as the past-oriented approach. On the other hand, if an organization is changing rapidly due to fast growth or technological changes, then the approach to the job analysis should be future-oriented. In such an approach, the organization anticipates the future changes and conducts the job analysis, keeping this change in mind.

• **Sources of Job Data**
  The organization should make a choice regarding the source of job data to be used. For an established organization, the first source of job-related data is the job-analysis data that already exists. The various sources of job data are the employees, supervisors, job experts, existing job data, equipment maintenance records, training manuals, and other job training materials. An organization has to keep two things in mind while deciding the sources of job data to be used - the sources should be most recent, and several sources of information should be used.

• **Gather Information**
  The organization has to decide as to what type of data is to be collected, which methods are to be used for data collection, and who should collect the data. Normally, trained job analysts, supervisors, or the employees are used to collect the data. The type of method to be used for data collection depends on important factors like the purpose of the job analysis and, the status of the current job analysis process. For example, a new organization may appoint a job analyst who will select the most suitable method for data collection. Well-established organizations should review the job analysis information over a period of time as jobs change due to many factors like changes in technology, and changes in products.

• **Process Information**
  Once the job information has been collected, it is processed so that it can be useful to various personnel functions. Specifically, job-related data is used to prepare job description and job specification.
Job Description

Job description is a written statement showing job title, tasks, duties and responsibilities involved in a job. It also prescribes the working conditions, hazards, stress and relationship with other jobs. Thus, a job description contains the following information:

1. Job title, code number, and department / division.
2. Job contents in terms of activities or tasks performed.
5. Social environment prevailing at the workplace.
6. Extent of supervision given and received.
7. Relationship with other jobs-vertical, horizontal, and diagonal.

Advantages of Job Description:

a) It helps the supervisors in assigning work to the subordinates so that he can guide and monitor their performances.
b) It helps in recruitment and selection procedures.
c) It assists in manpower planning.
d) It is also helpful in performance appraisal.
e) It is helpful in job evaluation in order to decide about rate of remuneration for a specific job.
f) It also helps in chalking out training and development programmes.

Job Specification

Job specification summarizes the human characteristics needed for satisfactory job completion. It tries to describe the key qualifications someone needs to perform the job successfully. It spells out the important attributes of a person in terms of education, experience, skills, knowledge
and abilities to perform a particular job. The job specification is a logical outgrowth of a job description. For each job description, it is desirable to have a job specification. This helps the organization to find what kinds of persons are needed to take up specific jobs. The personal attributes that are described through a job specification may be classified into three categories:

a) Essential attributes: skills, knowledge and abilities a person must possess.

b) Desirable attributes: qualifications a person ought to possess.

c) Contra-indicators: attributes that will become a handicap to successful job performance.

A job specification can be developed by talking with the current jobholders about the attributes required to do the job satisfactorily. Opinions of supervisors could also be used as additional inputs. Checking the job needs of other organizations with similar jobs will also help in developing job specifications.

A specimen job specification of Compensation Manager is given below:

| Education: | MBA with specialization in HRM/MA in social work/PG Diploma in HRM/MA in industrial psychology. |
| Experience: | At least 3 years experience in a similar position in a large manufacturing company. |
| Skill, Knowledge, Abilities: | • Knowledge of compensation practices in competing industries, of job analysis procedures, of compensation survey techniques, of performance appraisal systems.  
• Skill in writing job descriptions, in conducting job analysis interviews, in making group presentations, in performing statistical computations.  
• Ability to conduct meetings, to plan and prioritize work. |
| Work Orientation Factors: | The position may requires up to 15 percent travel |
| Age: | Preferably below 30 years |
Preparing a job specification is always not easy. Regarding the human resource requirements of a job, there is scope for disagreement. For a clerical job, one bank may demand high school education; another bank may demand the services of graduates or even postgraduates. Differences may also crop up when stating an attribute as a 'desirable' or 'essential' qualification. To avoid further confusion, while writing any job specification, it is important to list only those skills, knowledge and abilities essential for job performance.

**Advantages of Job Specification:**

1. It is helpful in preliminary screening in the selection procedure.
2. It helps in giving due justification to each job.
3. It also helps in designing training and development programmes.
4. It helps the supervisors for counseling and monitoring performance of employees.
5. It helps in job evaluation.
6. It helps the management to take decisions regarding promotion, transfers and giving extra benefits to the employees.

**Activity B**

Describe the process of job analysis in an organisation.
Ajay Verma: Can you figure out your job description and job specification?

Rajesh: I will try, Sir. My job description is to be a driver to the Vice President of Human Resource department, Globodyne Ltd. And my job specification must have been for a person who was more than 18 years of age and who has studied up to the school level.

Ajay Verma: Fantastic!! Let me explain the various methods of collecting job data.

2.3 DIFFERENT METHODS OF COLLECTION OF JOB DATA

The different methods of collecting job-related data are described below:

- **Interview**
  In this method, the job analyst interviews the employee and his supervisor to get information about the job. Normally, a structured interview form is used to record the information provided by the employee and the supervisor. During the interview, the job analyst uses his own judgement about the information to be included in the form. Though the interview method provides a personal touch to the job collection process, it is a time consuming process. The interview may also be subject to bias - bias on the part of the interviewer. Also, the employee may provide inaccurate data regarding the job. The effectiveness of the interview method depends upon the interviewer and on the ability of the employee to provide meaningful responses.

- **Observation**
  In this method, the job analyst observes the employee at work and records what he does, how he does, and how much time is required for completion of a given task. This method is very simple and the collected is very accurate. On the other hand, it is a time consuming method. This method can be applied only to jobs which are of a repetitive nature. It can be applied to unskilled and semi-skilled jobs and not to skilled jobs. Also, the job analyst has to be trained for this method, and the training involves additional cost.

- **Questionnaire**
  In this method, employees fill in a structured questionnaire provided to
them. These questionnaires are then approved by their supervisors. The questionnaires provide information on the job title of the employee, the job title of the employee's supervisor or employee, the job titles and the number of staff reporting to the employee, and a list of the duties that the employee performs. This method is useful as it can collect information on a large number of jobs in a short period of time. This helps in saving time and also the staff required to conduct this programme is very minimal. Also all the employees can participate in this method. However, this method also suffers from certain drawbacks. The information provided may not be accurate. Also, follow-ups may be required to clarify inadequately filled questionnaires. In addition to this, the questionnaire may be subject to misinterpretation by the job analyst.

• **Job Performance**
  In this method, the job analyst actually performs the job. The analyst receives first hand experience of the contextual factors on the job including physical hazards, social demands, emotional pressures and mental requirements. This method is useful for jobs that can be easily learned. It is not suitable for jobs that are hazardous or that require extensive training.

• **Checklist**
  This method is similar to the questionnaire method. In this method, the response sheet contains few subject judgements, and the responses are mainly 'yes' or 'no' variety. Checklists cover many activities and the employee ticks only those tasks that are included in their jobs. The checklist is normally prepared by a specialist who collects all relevant information about the job concerned. This information is obtained by asking supervisors, industrial experts and those familiar with the work. After the checklist is prepared it is sent to the employee, who then ticks the relevant tasks that he performs in the job. Also, the employee is asked to write any additional task that is not listed in the checklist. The checklist is useful in large firms that have a large number of employees assigned to a particular job. However, this method is costly and therefore, not suitable for small firms.

• **Technical Conference Method**
  In this method, the job analyst approaches the supervisors possess extensive knowledge of the job. These experts provide details about the job. Normally, a conference is held so that all the supervisors can attend at
the same time and provide the relevant job related data. It is a good method of collection of job data but it lacks accuracy as the employees are not involved in the collection of the information.

- **Diary Method**
  This method required the employees to record in detail their activities each day. If the employees record the activities faithfully, the data obtained is accurate. Also, it eliminates any errors due to memory lapses that an employee makes while answering a questionnaire or a checklist. However, this method is time consuming as the recording has to be spread over a number of days. This also reduces the production time and thereby the productivity of the employee.

- **Critical Incidents**
  This method is a qualitative approach to obtain specific behaviourally focused description of work. In this method, the employees are asked to describe several incidents based on their past experience. The incidents collected are analyzed and classified according to the job areas they describe. The job requirements become clear once the analyst differentiates between effective and ineffective behaviours of the employees on the job. The process of collecting is a lengthy and a time consuming process. It is also very difficult to classify these incidents as several employees might have dissimilar incidents. Also, the analyst must possess excellent analytical skills to translate the content of these incident descriptions into meaningful statements.

### 2.4 PROBLEMS FACED IN JOB ANALYSIS

Some of the major problems that may crop up while conducting job analysis are:

- **Support from Top Management**
  Support from the top management is very crucial. For a job analysis to be successful the top management has to make it clear to all the employees that their participation is extremely important. Unfortunately in most of the cases it is not communicated by the top management, thus rendering the entire process ineffective.
• **Relying on a single source or method**
  Many times, the organizations rely only on one method of collecting job related data. Or they might rely only on one source, either employees or their supervisors, for collecting job data. Job analysis is most effective when multiple sources of data are used, preferably a combination of employees, supervisors and industrial experts. Also, when organizations use more than one method of collecting job related data, the job analysis is more accurate.

• **No training provided to employees**
  Employees or the job holders are a great source of information about the job. But they are not trained to generate quality data which can be useful for job analysis. In addition to this, employees are not made aware of the importance of the data. As a result, when the job data is collected the employees either do not participate fully or they do not participate at all.

• **Distortion of activities**
  Many times, employees perceive job analysis as a threat to their jobs. Hence, they are prone to distort the data by inflating their activities and duties. This results in inaccurate job data which may lead to the organizations over-compensating these employees.

**Activity C**

Describe the various methods used to collect job related data in an organisation. List down some of the problems faced while conducting job analysis.
2.5 NATURE AND IMPORTANCE OF JOB DESIGN

The next logical step, after job analysis is completed, is job design. Job design involves efforts to organize tasks, duties and responsibilities into a unit of work so as to achieve certain objectives. Job design involves three steps:-

a) Specification of individual tasks.

b) Specification of the method/methods to perform these individual tasks.

c) Combination of tasks into specific job to be assigned to individual employees.

The first and the third step determine the content of the job while the second step shows how the job must be performed.

While designing a job, the organization requirements and the individual needs of the employee must be considered.

This is very important as it has a critical impact on organizations and employee objectives. From an organization's viewpoint, the way tasks, duties and responsibilities are grouped can affect productivity and costs. Jobs that are not satisfying or are too demanding are very difficult to fill. This leads to a higher employee turnover (employee attrition). For an employee, motivation and job satisfaction are affected by the match between job factors (job content and rewards) and personal needs. Therefore a well thought job design can help both the organization and its employees achieve their objectives.

Poorly designed jobs lead to lower productivity, high employee turnover, absenteeism, sabotage and other problems.

In future, the survival and the growth of an organization will depend on how well a job has been designed. As the number of new employees entering the labour market slows and the international competition increases, well
designed jobs will become even important in attracting and retaining a motivated workforce, which will be capable of producing high quality products and services.

2.6 FACTORS AFFECTING JOB DESIGN

Job design is affected by organizational, environmental and behavioural factors. A well designed job will make a job productive to the organisation and satisfying to the employee.

Organizational factors

Organizational factors include the following factors:

- **Characteristics of a Task**
  Job design requires the assembly of a number of tasks into a job or a group of jobs. A task consists of three elements:
  a. **Planning** - deciding the course of action, timing and the resources required
  b. **Executing** - carrying out the plan.
  c. **Controlling** - monitoring the elements for each of the tasks involved.

An individual may carry out one main task. Task functions may be split between a team working closely together or along an assembly line. Complexity in a job may be a reflection of the number and variety of tasks to be carried out, or the range and scope of decisions that have to be made or the difficulty of predicting the outcome of decisions.

- **Work Flow**
  The flow of work in a firm is strongly influenced by the nature of the product or services. Normally, if the work is to be done efficiently, the product or service suggests the sequence of jobs to be done. After the sequence of jobs is determined, the balance between jobs is established. Balance of jobs refers to the time and the workforce that will be involved in completing a particular job.

- **Ergonomics**
  Ergonomics is concerned with designing and shaping jobs to fit the physical abilities and the characteristics of individuals so that they can perform their jobs better. Nature of job remains the same, but the location of tools,
switches, computers and other facilities is changed to make the employee feel comfortable and handle the job in a much better manner.

• **Work Practices**
  Work practices are set ways of performing work. Till recently, work practices were determined by time and motion study, which studied the standard time needed to complete a given job. Failure to consider work practices can have undesirable outcomes such as resistance from the employees.

**Environmental factors**

Environmental factors include the following factors:

• **Employee abilities and availability**
  Efficiency consideration must be balanced against the abilities and availability of the people who are to do the work. New employees lack the experience to handle specific tasks of the organisation. While designing the jobs, the ability and the availability of the employees must be considered.

• **Change in expectations of employees**
  Nowadays, the employees are more educated, knowledgeable and aware about their individual objectives and goals. This in turn translates to employees having high expectations from their jobs. Job design has to meet these changes in the expectations of the employees.

• **Globalization**
  Globalization has made it possible for companies to set up units in different parts of the world. In such a scenario, a multi-national organisation tends to design jobs keeping in view the benefits of standardization in mind. This leads to a neglect of the national and cultural differences. Hours of work, holidays, vacations, religious beliefs, management styles and employee attitudes are some of the differences that can affect the design of jobs across international borders. Failure to consider these expectations can create dissatisfaction, low motivation, hard-to-fill openings and a low quality of work life.

• **Behavioural factors**
  Behavioural factors are concerned with human needs and the requirement to satisfy them. Individuals find jobs challenging and satisfying only when the following factors are considered:
• Feedback
Employees need to receive meaningful feedback about their performance. They need to know whether the job that they are doing plays a significant part in the overall operations of the organisation.

• Autonomy
Autonomy refers to being responsible for what one does. Jobs that give employees authority to make decisions will increase an employee's self-esteem. Absence of autonomy can cause employee apathy or poor performance.

• Use of Abilities
An employee must perceive that the job is requiring them to use their abilities they possess. If an employee perceives that a job is not making use of his abilities, it might lead to low motivation.

• Variety
Lack of variety may cause boredom. This in turn leads to fatigue which causes mistakes. While designing a job, the job designer should ensure that there is sufficient variety in the jobs. Too little variety causes boredom and too much of variety may lead to incompletion of the jobs.

Ajay Verma: So Rajesh, can you summarize our chat ??

Rajesh: Yes, Sir!! To summarize our chat, Job analysis is ..........

2.7 SUMMARY

Job Analysis is a process which involves collection of information regarding the knowledge, skill and ability an employee possesses to perform a job effectively. It is useful for all personnel activities like human resource planning, hiring and training of employees, deciding the compensation and for appraising the performance of employees. Job analysis process consists of 5 steps. They are - making strategic choices, gathering of information, processing of information, preparation of job description and job specification. Some of the methods used in job analysis are questionnaire, checklist, jot performance, observation and interview. For an effective job analysis, the support of the top management and the whole-hearted
participation of the employees is a must. Job design involves efforts to organize tasks, duties and responsibilities into a unit of work so as to achieve certain objectives. A well designed job is the key to a company's survival and growth. Job design is affected by organizational, environmental and behavioural factors.

2.8 SELF-ASSESSMENT QUESTIONS

1. What is Job analysis? Explain the importance of job analysis in an organization.

2. What are the various steps that are involved while conducting job analysis?

3. Explain job description and job specification.

4. List down and explain the various methods used in collecting job data. What are some of the problems faced while conducting job analysis in an organization?

5. Explain job design and its importance. Describe the various factors affecting job design.
Critical thinking is neither an abstract nor a difficult skill to attain. At the most basic level, it is the process of identifying and evaluating evidence relevant to decision-making.

Want to know the success mantra to excel at your work place? Think Critical. Critical thinking skill is the answer for the 21st century work-force. According to a survey, HR professionals cited that Critical Thinking would become the number one skill of increasing importance in the next five years.

Critical thinking is neither an abstract nor a difficult skill to attain. At the most basic level, it is the process of identifying and evaluating evidence relevant to decision-making. Critical thinking goes beyond mere logic. It represents the ability to become aware of one's own biases in thinking that governs our decision-making capabilities. This ability results in objective evaluation of information to reach a conclusion. Critical thinking is about how you think and not what you think. It is a process and not an outcome. Thus, Critical thinking involves the thinker passing through steps such as encountering a triggering situation or problem-event, the knowledge about this event that leads to exploration of alternative solutions, the evaluation of these alternatives on the basis of available evidence, finally leading to taking a decision about the situation or event.

Critical thinking cuts across boundaries of designations and domains. It has relevance for all. Every professional benefits from thinking better. Therefore, the need of the hour is to acquire this skill to take one's logical thinking process to the next level. However, most of us are vulnerable to 'thinking traps' or fallacies in thinking. Some common fallacies or erroneous beliefs that come in the way of thinking critically are:

a. Fallacies of relevance: Arriving at a conclusion/decision due to appeal to authority/force.

b. Fallacies of insufficient evidence: Fallacies of insufficiency are cases where insufficient evidence is provided in support of a claim.
c. Fallacies of inconsistency: Arguing from inconsistent statements, or to conclusions that are inconsistent with the premises.

d. Fallacies of inappropriateness: Fallacies of inappropriate presumption are cases where one has explicitly or implicitly made an assumption that is not reasonable to accept in the relevant context.

To apply Critical thinking is to stay grounded in objectivity, thereby significantly reducing the impact of thinking traps. In our day-to-day living, we can improve our Critical thinking skills by following a mental roadmap of steps to take to arrive at well-balanced conclusions - consider facts, examine the relevance of the facts to the situation to get clarity on the situation, weight the alternatives, and finally integrate information to arrive at a conclusion.

Practicing Critical thinking at the workplace is of utmost importance as it has a cascading effect on various decision making factors, the most important being strategic thinking, problem solving, and planning and organising. Going by the competency matrix set for managers in most organisations, among the most common attributes figuring in the competency bucket are abilities of problem solving, decision-making, planning and organisation.

But the question is do organisations really adopt objective measures to assess professionals on these competencies? Current HR practices tend to focus on assessing abilities at the entry level of recruitment. Abilities assessed at this level are of a very general nature and pertain to parameters such as ability to learn a new task, language skills and some basic analytical skills. There may be an implicit assumption pervading the HR thought-process that needs to be brought out - testing the ability of mid to high-level management is not required as employees functioning in these levels of management will have the necessary skills to think better and drive sound decisions for their organisations.

In today's highly competitive markets, clients, projects, deadlines and targets drive day-to-day operations and long-term boardroom decisions in organizations. A floor manager, team leader or vice president - all need to think on their feet and offer solutions that optimise the business prospects of the organisation. Critical thinking leads to better decisions. Both managers and leaders should be able to pick out critical data from a sea of information and take sound decisions based on it. Hence, workplace assessment of
Critical Thinking is crucial in creating the right work environment that offers sustained solutions driving positive growth.

The time is right for a paradigm shift in thinking within the HR community. Talent assessment needs to be a blend of both the right kind of personality and the right kind of ability to lead from the front. Critical thinking needs to be recognised as an essential skill in organisations if we are to become successful players in a globalised business arena.
REFERENCE MATERIAL
Click on the links below to view additional reference material for this chapter

Summary

PPT

MCQ

Video 1

Video 2
3
Manpower Planning

OBJECTIVES:

After completing this chapter, you should be able to understand:

• What is Manpower planning?

• Various factors affecting manpower planning.

• Process of manpower planning in an organisation.

• Importance of manpower planning.

• Various barriers faced by an organisation while planning the manpower.
STRUCTURE:

3.1 Manpower planning.

3.2 Factors affecting manpower planning.

3.3 Process of manpower planning.

3.4 Importance of manpower planning.

3.5 Barriers to manpower planning.

3.6 Summary.

3.7 Self-assessment questions.

The story continues……..

After a few hours, Ajay Verma returns to the car.

Ajay Verma: Arre Rajesh, let's go back to the office.

Rajesh: Yes Sir.

Ajay Verma: This visit was quite interesting. I am wondering whether we are going on the right path in Manpower planning

Rajesh: Sir, what is manpower planning ???
3.1 MANPOWER PLANNING

Manpower planning or Human Resource planning is the process of forecasting an organisation's future demand for, and supply of, the right type of people in the right number. HR activities like recruitment and selection, training and development, compensation, appraisal and labour relations are derived from Manpower planning.

Manpower planning, if used properly, leads to the maximum utilization of human resources, reduces excessive labour turnover and high absenteeism; improves productivity and aids in achieving the objectives of any organization. If it is not used properly, it leads to disruption on the flow of the work, lower production, less job satisfaction, high cost of production and a constant problem for the management personnel. For an individual, it is important because it helps him to improve his skills and utilize his capabilities and potential to the fullest. For an organisation, it is important because it improves its efficiency and productivity.

3.2 FACTORS AFFECTING MANPOWER PLANNING

Manpower planning is influenced by several factors. The most important factors are:

a. Type and strategy of organisation.

b. Growth cycle of an organisation.

c. Environmental uncertainties.

d. Labour Market.

• **Type of an Organisation**
  The type of an organisation is important because it determines the number of processes required and the number and type of staff required. A manufacturing organisation will have more processes than a service oriented organisation. For example, a company like Godrej & Boyce will have to plan for manpower requirements for its manufacturing processes as well as for its service processes. On the other hand, Vodafone - a cellular service provider - will plan only for its service processes. The manpower
demand for Godrej will be a combination of unskilled and skilled manpower, whereas Vodafone's manpower demand will be for skilled manpower.

- **Growth cycle of an organisation**
  In the early cycle of an organisation, manpower planning may not have an importance as the organisation focuses on its entry into the market and its main focus is the product or service development.

  Manpower planning also depends on an organisation's growth. Manpower planning is needed when the organisation enters the growth phase. Internal development of people gets more importance as there is a need to keep up with the growth.

  A mature organisation is less flexible and growth slows down. The workforce becomes old as fewer younger people are hired. There is less flexibility and innovation in manpower planning. In the decline stage, manpower planning is done for layoffs, retrenchment and retirement.

- **Environmental uncertainties**
  Political, social and economic changes affect all organisations. Manpower planners handle these changes by carefully formulating policies for recruitment, selection and training and development. Also companies operating in an environment which undergoes many changes have to formulate plans to accommodate these changes. For example, companies in the Information Technology field have to plan according to the various technological changes; else they will not survive in the fiercely competitive market.

- **Labour Market**
  Countries may have a huge population base; the labour market in these countries may suffer from a lack of talented and skilled professionals. It is very difficult for organisations to find the right person for the right job at the right time and hence it becomes important for these organisations to conduct manpower planning.
Activity A

What is manpower planning? List down some of the factors affecting manpower planning

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3.3 PROCESS OF MANPOWER PLANNING

**Organisational Objectives**
Objectives of the HR plan are derived from the business objectives, which have been defined by the top management. From the organizational objectives, the HR department needs to determine the number and characteristics of the employees. For this purpose, an organizational chart is drawn which determines, the number of employees, at what level, which positions, experience required to fill a particular position, training to be provided, etc.

Also, the HR department needs to determine the following:
i. Whether vacancies to be filled internally through promotions and transfers or to be hired from outside.

ii. How will the union constraints be handled, if any?

iii. How much of the production and operations can be automated? If automated, what is to be done of the employees who will be displaced?

iv. How to ensure that there is a continuous availability of skilled workforce?

**HR Demand Forecast**
Demand forecasting is the process of estimating the number and quality of people required in the future to meet the needs of the organisation. Demand forecast considers external as well as internal factors. External factors include competition, economic climate, technological changes, laws and regulations, etc. Internal factors include budget constraints, new products and services, organizational structure, employee separations, etc.

Normally, demand forecasting is done on the basis of the annual budget and long-term corporate plans. For example, in a manufacturing firm, the sales budget is very essential. On the basis of the sales budget, the production plan is worked out which provides details on the number and type of products to be produced. On the basis of this information, the number of hours to be worked by each skilled category of labour is worked out. This determines the quantity and quality of employees required.

**Demand forecasting helps to:**

i. Identify the number of jobs required.

ii. The mix of employees required to perform the various jobs.

iii. Avoid unnecessary costs with the correct number of employees.

**HR Supply Forecast**
Supply forecasting is the process by which management determines whether it will be able to procure the required number of employees and the various sources. It measures the number of people that may be available to an organisation - internally and externally.

Supply analysis is beneficial as it helps in quantifying the number of people
and positions expected to arise in the future and in preventing any shortages that may arise in the future.

The supply analysis covers:

a) Present employees - Analysis of the skills of the employees (non-managers and managers) is conducted. This helps in providing the HR department with a ready database and a comprehensive understanding of the existing capabilities in the organisation. This analysis is also helpful in identifying employees eligible for promotions and transfers.

b) Internal sources of supply - The analysis helps to identify the internal sources of supply and whether these sources will be sufficient to meet the future needs of the organisation. Internal sources of supply could be through referrals of the employees, children of retired employees, etc.

c) External sources of supply - The analysis also helps in identifying the external sources of supply, if the internal sources of supply do not meet the needs of the organisation. The external sources could be employment exchanges, consultants, college campuses, competitors, etc.

Gap analysis - Is Demand equal to Supply?

Once, the demand and the supply forecasts are prepared, the HR department checks whether the demand is met by the supply. If the demand is more than the supply, then there is a shortage of manpower and necessary steps like recruitment and selection, training and development and retention plans will have to be undertaken. If the supply is more than the demand, then there is a surplus of manpower and necessary steps like layoffs, reduced working hours, Voluntary Retirement Schemes (VRS), pay-cuts, etc will have to be undertaken by the organisation.
Activity B
List down the steps involved in Manpower Planning of any organisation


Rajesh: Sir, now can you tell me the benefits of manpower planning?

Ajay Verma: Yes……… (laughs)

3.4 IMPORTANCE OF MANPOWER PLANNING

Importance of Manpower planning can be understood through the following points:

- **Future Manpower Needs**
  Manpower Planning is required as it helps in determining future manpower needs. If proper manpower planning is done, then the company will find that it is able to handle any changes in its environment. Manpower planning also helps in succession planning for the middle and top management.

- **Creating Highly Talented Manpower**
  Jobs are getting highly specialized and intellectual in nature, as compared to a few years back. As a result of computerization, nowadays the skills required for an employee on the production floor have changed. Also, nowadays the manpower consists of qualified and skilled personnel like MBAs, engineers, etc. Qualified and skilled personnel are known for job
hopping, thus creating shortages in the organisation. Manpower planning helps to avoid such shortages.

• Foundation for HR functions
  From manpower planning, other HR functions like recruitment and selection, training and development, job analysis, compensation administration, performance appraisal and feedback, employee welfare, etc. are derived.

3.5 BARRIERS TO MANPOWER PLANNING

There are also certain barriers to manpower planning:

a) Manpower plans suffer from inaccuracy as it is difficult to prepare long-range forecasts accurately. There could be changes in economic conditions, technology, market and labour force conditions which may make the long-range plans unreliable.

b) Most of the times, operating managers or non-HR managers are not involved in the manpower planning which renders the planning ineffective. A successful planning has to involve the efforts of the operating as well as the HR managers.

c) Imbalance may occur between short-term and long-term HR needs. Many managers, due to pressures, may focus on getting the work done while neglecting the long term need of grooming the people for greater responsibilities.

Ajay Verma: Oh, here we are. We have reached the office.
3.6 SUMMARY

Human Resource Management is a process where people and organizations are brought together so that the goals of each are met. Manpower planning or Human Resource planning is the process of forecasting an organisation's future demand for, and supply of, the right type of people in the right number. Manpower planning is influenced by factors such as type and strategy of organisation, growth cycle of an organisation, environmental uncertainties and labour market.

It involves the following steps:

1. Organisational objectives.
2. Demand forecast.
4. Surplus or shortage.

It is important as it determines future manpower needs, is a foundation for other HR functions and is useful in creating highly talented manpower.

3.7 SELF-ASSESSMENT QUESTIONS

1. What are the steps involved in Manpower Planning?
2. Why is manpower planning required?
3. What are the barriers that are faced while planning the manpower requirements in an organisation?
With increasing uncertainty in the job markets and thrust on cost cutting, it is increasingly important for HR managers to plan the demand and supply of manpower as accurately as possible. Basic to human resource planning, is the function of forecasting a company's future demand for employees. Only then can a company maintain a ready pool of candidates and fill in vacancies without much loss of time or effort. Forecasting forms the basis of HR functions today.

Explaining the importance of talent planning and forecasting, Rahul Kulkarni, Head, HR at Kale Consultants, "talent forecasting is the most crucial job of the Human resources department. Human Resources department needs to align their strategy according to the needs and vision of the organization. HR needs to work proactively with the business and understand what is in pipeline and revisit the needs on periodical basis. In the current competitive scenario, the robust talent forecasting will help to get an edge over the competitor".

Forecasting is critical to business success. It offers several benefits for the organisation as a whole. As M. S. Venkatesh, President, Group HR, Educomp Solutions Group points out, "Forecasting ensures that the organisation structure is right sized and there is no short supply of manpower and excess manpower. This assures better efficiency and productivity of Manpower. Seoncly, it ensures that there is no overlap of roles and there is complete role clarity. It helps plan the recruitment strategy well in advance to hire the right quality of talent at an optimal cost and Lead time. Forecasting helps in cost optimisation and accurate budgeting."

**Setting Forecasts**

Forecasting Manpower requirements is driven by the Annual Business Plan of revenues, Sales Targets, Geographical distribution of business units and experience of the Business/ Function Head and the HR Head who are responsible for the forecast. Venkatesh explains, "Manpower forecasting is the job of both the Business/Function Head and the HR Head approved by the CEO. Prior to forecasting, it is critical to establish role clarity and Key Result Areas (KRAs) for every job role in the organization to ensure the organization structure is of the right size. The next step is to understand the
cost of the organisation structure that will deliver the targeted ROI (Return on Investment) as per the Annual Business Plan. Further, the forecasting team needs to have the knowledge of Men to volume/revenue target ratios and geographical distribution points."

What are some of the skills needed for accurate forecasting? Venkatesh continues, "Managers must understand the business very well. Questions such as why this person can or cannot do a specific job must be asked and answered logically. For better results in forecasting, the HR Manager plays a key role if he/she understands the business equally as a Business/ Function Head."

**Not without challenges:**

In spite of the availability of many statistical tools and procedures, forecasting is not free from errors. Even as a process, it is fraught with challenges. Kulkarni adds, "The greatest challenge in forecasting is the resistance by people, business uncertainty, and no clear vision." Often, the forecasts made are too high and unachievable. This can render the process meaningless. Hence, the HR managers must revisit and review forecasts from time to time. In case the forecasts are released to the public, especially for big organisations, it is all the more important to give realistic and even conservative figures. HR managers must have the vision and the ability to work jointly with business heads."

Clearly forecasting, both an art and a science, is a continuous and a joint exercise. Achieve accuracy in forecasting to achieve extraordinary business results!
Manpower Planning

REFERENCE MATERIAL
Click on the links below to view additional reference material for this chapter

Summary

PPT

MCQ

Video
OBJECTIVES:

After completing this chapter, you should be able to understand:

• What is Recruitment?

• Importance of recruitment.

• Process of recruitment in an organisation.

• Various sources of recruitment

• What is Selection?

• How a selection process is conducted in an organisation.

• What is induction?
Recruitment, Selection And Induction

STRUCTURE:

4.1 Nature & Importance of Recruitment.
4.2 Process of recruitment.
4.3 Various sources of recruitment.
4.4 Selection
4.5 Process of selection
4.6 Induction
4.7 Summary
4.8 Self-assessment questions.

The story continues……..

After a month, Ajay Verma was due for his monthly visit to the factory at Ghansoli. Rajesh was waiting for him at the gate of his home at Bandra.

Rajesh: Good Morning, Sir.

Ajay Verma: Good Morning, Rajesh. I am so glad we recruited and selected you.

Rajesh: Sir, what is recruitment and selection ?? Are they different ? I thought they meant the same thing.

Ajay Verma: No, Rajesh. They are two different things. Let me explain them…. 
4.1 NATURE & IMPORTANCE OF RECRUITMENT

Hiring of employees is an ongoing process and it is not restricted to the early stages of an organisation. Employees leave the firm for better opportunities, some employees retire and some employees die. Also an organisation grows, merges with/takes over other organisations and also diversifies into various sectors. All these activities require that new employees are hired. The hiring of employees stops only when the organisation ceases to exist.

Recruitment is the process of searching for and obtaining applications for jobs, so that the right people can be selected from this pool. It refers to the process of attraction of job seekers to a company through various media like advertisements in newspapers, job portals, consultants, etc. In reality, the term recruitment is used to the entire process of employee hiring including the selection process.

In today's world, a company's success or failure depends on many factors. A key factor of this is the company's manpower. The quality of manpower is emphasized today and we can see that through the various programmes adopted by Human Resource department. Today, the Human Resource departments and organisations have realized that to develop a qualitative manpower, a suitable manpower has to be recruited and selected.

**Recruitment helps a company in the following ways:**

- Attract highly qualified and competent people.
- Ensure that the selected candidates stay longer with the company.
- That there is a match between cost and benefit.
- Help the company create more culturally diverse workforce.
4.2 PROCESS OF RECRUITMENT

The process of recruitment consists of:

![Fig 3](image)

**Recruitment Planning**
Manpower planning helps in deciding the number of job vacancies, whereas Job Analysis provides information as to the nature of these vacancies. On the basis of this, Human Resource department plans the number of applicants and the type of applicants to be contacted. Organisations have to attract more applicants for the vacancies as some of the applicants may not be suitable for the vacancy.

**Strategy Development**
Once the number and the type of recruits to be hired are known, Human Resource department then decides the following:
a) Whether the firms should hire less skilled employees and invest on their training and development, or whether they should hire highly skilled and trained professionals. This is known as 'Make' or 'Buy' where 'make' refers to the hiring of less skilled and untrained employees and 'buy' refers to the hiring of skilled and trained professionals. 'Buying' skilled and trained employees is advantageous as no training cost has to be incurred. But the cost of remuneration to such employees is high.

b) The Human Resource department has to decide the method that is to be used in recruitment and selection process. The Human Resource department has to decide many things like whether facilities like tele-conferencing is to be used during selection, whether attracting the job seekers is to happen only through newspaper advertisements, whether consultants is to be used during recruitment and selection.

c) The Human Resource department also has to decide from where the applicants are to be recruited. This depends on the location of the organisation. If the organisation is located in a city like Mumbai, then the recruitment is done from the huge pool of job seekers in Mumbai. But if the organisation is located in Pune, then it will have to look at attracting job seekers from Pune as well as Mumbai. Most of the companies located in Pune recruit employees from Mumbai, as the necessary skilled employees may not be available in Pune.

d) Whether the recruitment is to happen from internal sources (recruit from within the organisation) or external sources (recruit from outside the organisation) or a combination of both.

e) The Human Resource department has also to decide when the recruitment and selection is to happen. This decision depends on the time taken from when the advertisement is given in the newspaper till when the candidate reports for work. For example, if the time taken for the entire recruitment and selection process is 2 months and the candidate reports for work on 1st July, then the Human Resource department will advertise for the vacancy on 1st May.
Searching
Once, the recruitment plan and strategy are developed, the search process begins. The search process begins only after the line managers confirm that they require an employee. Normally, they fill a form and submit it to the Human Resource department stating that they require an employee for a job. Also, the company has to decide what type of media is to be used for broadcasting the recruitment message.

Screening
Screening refers to the scrutinisation and short-listing of applications received. The purpose of screening is to filter out those applications that are not suitably qualified for the job. For this purpose, clear job specifications are a must as the job specifications can be compared with the knowledge, skills and abilities of the applicants. Interviews and applications are used to screen walk-ins. Interviews and resumes are used by campus recruiters and consultants to screen job seekers.

Evaluation and Control
Recruitment process is evaluated on the basis of the number of applications received, the number of candidates who went to the selection process, the cost of the recruitment process, the number of the candidates retained after the probation period, and the performance of the candidates selected.

Activity A
What is recruitment? Describe the process of recruitment in an organisation.
4.3 VARIOUS SOURCES OF RECRUITMENT

Sources of recruitment can be classified into internal sources and external sources. The various sources of recruitment are explained below:

**INTERNAL SOURCES**

Internal sources include present employees, referrals from employees, former employees and former applicants. Internal recruitment is less costly than external recruitment. Recruiting from internal sources also increases the morale of employees, their commitment to the organization and job...
satisfaction. Also, the organization has a better knowledge of the skills and abilities of their employees.

- **Present Employees**
  Usually, for the promotions and transfers a company prefers its present employees for these positions. This has several advantages - it builds morale of the present employees, it is cheaper than recruiting externally, those who are chosen internally - are familiar with the organisation, and if carefully planned, promotion also acts as a training tool for developing middle-level and top-level managers. This is the reason why companies prefer to develop internal talent groups.

  Transfers are another way to recruit from present employees. Transfers may be to another department or to another location. Transfers are handled with care as it may lead to loss of motivation in the employee, and eventually employee may quit.

- **Employee referrals**
  Another internal source of recruitment is the referrals provided by the present employees of the company. Present employees are requested to refer either their family or friends for the jobs which are advertised. This is most beneficial in large companies or multinational corporations as the large number of employees offers a huge pool of referrals. Also, this is a very cost-effective method as the company does not have to go in for advertisements in the external media. Most of the companies offer a reward to the employee who refers family or friend for a job vacancy. The reward is paid either on the appointment of the referral or after the probation period of the referral is over.

- **Past employees**
  Retired employees are another source of applicants as some of the retired people may be willing to return to work on a part-time basis or as a consultant. Also, they may recommend someone, either from their family or friends, who would be interested in working for the organization. Sometimes, people who have left the company are willing to come back and work and too sometimes for a better pay package than offered earlier.
EXTERNAL SOURCES

External sources refer to sources outside an organization. External recruitment brings in new skills and talent into the organization. Sources of external recruitment are:

• **Professional Bodies**
  Professional bodies like Management/Chartered Accountant/Company Secretary/Cost Accountant institutions, offer placement services to their students. Also, trade associations publish journals for their members. These journals carry advertisements of employers interested in recruiting their members. Professional bodies or trade associations are very useful in recruiting highly educated or skilled human resources.

• **Advertisements**
  This source of external recruitment is very popular due to its wide reach and cost-effectiveness. Companies place want ads in newspapers or in professional/business journals. Mostly, companies place advertisements in newspapers like Ascent (The Times of India), Economic Times, Indian Express, etc. Advertisements must contain information like - job content (primary tasks and responsibilities), location of the job, growth prospects, to whom one applies. The advertisement also draws attention to the main features of the company and creates a desire in the candidate to apply for the job advertised.

• **Employment Exchanges**
  Employment exchanges were set up due to the provisions in the Employment Exchange (Compulsory Notification of Vacancies) Act 1959. The act requires that all industrial companies having more than 25 or more workers to notify about vacancies before they are filled. Employment exchanges increase the pool of possible applicants. It is also useful in the preliminary screening of a job seeker. Employment exchanges are useful in recruiting blue-collar, white-collar and technical workers.

• **Campus Recruitment**
  Campus recruitment is mostly done from colleges and universities, especially management (IIM and other institutes), and engineering institutes (IIT). A placement officer in each institute handles the recruitment functions and ensures that the student's as well as the company's
expectations are fulfilled. Campus recruitment is a major source for recruiting fresh, highly educated personnel.

- **Walk-ins**
  Walk-ins are second to newspaper advertisements, and are the most common and least expensive source of recruitment. Here, job seekers directly walk into the office of any organisation or company and submit their resumes to the Human Resource department. Sometimes, advertisements are placed in newspapers by companies informing job seekers about the future walk-ins. Walk-ins are mostly used for entry level and unskilled vacancies.

- **Consultants**
  Consultants are retained by organisations for recruiting and selecting managerial and executive personnel. Consultants have nation-wide, sometimes international-wide, contacts and reach. They keep the prospective employee and employer anonymous. They also lend professionalism to the process of recruitment and selection. They are expensive as they charge huge amounts of fees, and hence they are used while recruiting managerial level of personnel.

- **Contractors**
  Contractors are used to recruit casual workers. The names of the workers are not entered in the company records. Nowadays, Consultants have turned into contractors. Consultants hire people for skilled vacancies on a contract basis. Sometimes, the contract employee, due to his good performance, is hired as a full time permanent employee by a company.

- **Radio & Television**
  Radio & Television are very rarely used today. Earlier, it used to enjoy the same status as newspaper advertisements. It was used by government departments only.

- **Acquisitions & Mergers**
  As a result of acquisitions and mergers, a large pool of employees is created. Also, a large pool of new jobs is created. Organisation can use this large and readily available pool of human resources to implement the new organisation’s strategy. This saves a lot of time as the organisation need not go in for the other standard recruiting methods.
• **Competitors**
  Recruiting from a rival or competitor is called poaching or raiding. This method involves identifying the right people in rival companies and offering them better terms of employment, and luring them. Sometimes an employee joining a rival company has to obtain 'no objection certificate' from his previous company. He may also have to pay a few months' salary to the previous company. Nowadays, companies ask their employees to sign a confidentiality agreement. This is to ensure that the data or information that an employee comes across in his duration of employment in the company is not misused or used by the employee in a rival company or any other company.

• **Job Portals**
  This is the new emerging method of recruitment since the advent of Internet. Web sites like Naukri.com, Monster.com, Timesjobs.com, jobstreet.com, etc are some of the job portals. Job seekers upload/post their resumes on these portals. They then browse through the various suitable vacancies posted on the job portal and apply for the same, online. Companies also browse through the various resumes of jobseekers, posted on the job portal, and directly contact the job seeker through email or telephone.

• **Previous Applicants**
  Applicants who have applied earlier and were rejected are another source of recruitment. It is very cost-effective as the organization keeps the records of those applicants who had earlier applied for jobs in the company. Also, there is no involvement of consultants nor does the company have to take out advertisements in newspapers about the vacancies. Previous applicants can be contacted very easily - either by mail or telephone.
Activity B

Describe the various sources of recruitment.

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4.4 WHAT IS SELECTION?

Selection is the process of choosing candidates with the necessary qualifications and competence, out of the pool of job applicants, to fill jobs in an organisation. Recruitment and selection are two sides of the same coin. There is a slight difference between the two. While recruitment refers to the process of attracting job seekers to apply for the vacancies, selection refers to the process of choosing the right candidates from a pool of applications received from the job seekers. Recruitment is positive in its approach as it seeks to attract as many job seekers as possible. Selection is negative in its approach as it eliminates the unqualified applicants in order to choose the right candidate.
4.5 PROCESS OF SELECTION

If you observe the selection process in any organisation, it will look like the following diagram:

- **Preliminary Interview**
  The main purpose of a preliminary interview is to scrutinize and eliminate unqualified job seekers, based on the information supplied in the application forms or in their resumes. It is mostly conducted by the Human Resource department and is sometimes seen as a public relations exercise.

- **Selection Tests**
  The next step in the selection process is the administration of selection tests. Job seekers who pass the preliminary interview are asked to take a test and the applicant's ability, aptitude and personality are measured. Ability tests help in determining how well an individual can perform tasks.
related to the job. For example, secretaries may undergo a test which tests their typing and data entry skills. Aptitude tests help determine a person's potential to learn in a given area. For example, the numerical tests in the Banking exam for probationary officers. Personality tests are used to measure an employee's motivation to function in a particular working environment.

• **Employment Interview**
  An employment interview is conducted by the manager of the department which has the posted vacancy. This interview is very important as it allows the interviewers and the applicants to learn about each other. Employment interviews are flexible in nature, as it is left up to the interviewer to ask the questions - there is no format that is to be followed and the interview proceeds as per the questions asked by the interviewer and the answers supplied by the interviewee.

  Interviews can be one-to-one (only 2 participants - interviewer and the interviewee), sequential (series of one-to-one interviews) or a panel interview (more than one interviewer at a single interview). Interview helps the company to obtain information about the applicant regarding his suitability to the job. It also helps the applicant to obtain information about the company, its policies, job description, etc. Interviews are also a way of building a company's image among the applicants.

• **Reference & Background check**
  Companies request the names, addresses and telephone numbers or references for the purpose of verifying information provided by the applicant in his resume or application form. Previous employers, known public figures, university/college professors, neighbours, friends, etc can act as references. Usually previous employers are preferred because they are aware of the applicant's performance. Reference checks are used to check previous employment records, criminal records, educational records, credit records, character reference, etc. Nowadays due to increase in frauds, background checks have become more strict and a major requirement in all the companies.

• **Selection Decision**
  After obtaining all the relevant information in the previous steps, selection decision must be made. The previous stages in the selection process are
used to narrow the number of candidates for a job vacancy. The final decision has to be made from the pool of individuals who pass the tests, interviews and reference checks. The final decision is decided by the Human Resource manager, in consultation with the line manager as it is the line manager who will be responsible for the performance of the new employee.

• **Physical examination**
  After the selection decision and before the job is offered, the candidate is required to undergo a physical fitness test. The job offer depends upon the candidate being declared fit after the physical examination. The physical examination is either conducted by the company's in-house physician or by an external physician, selected by the company. The report is submitted to the company for their records. The physical examination is done so as to ensure that the candidate is fit to perform the work. Also it protects the employer from any invalid claims made by the employees as the employees might have had the illnesses or injuries prior to the current job/company.

• **Job offer**
  After the candidate passes the physical examination, a job offer is made to him by the company. The job offer is made through a letter of offer. The letter of offer contains the date by which the candidate must report for duty. The offer letter takes into consideration the notice period that the candidate specifies during the earlier interviews. The offer letter may also contain the compensation/salary details along with the various perquisites.

• **Employment contract**
  On the day that the candidate reports to work at the new organisation, he is given the letter of appointment contains the job title, the number of hours that he is to work, holiday details, sick leave details, length of notice due to and from employee, etc. The new joinee has to sign the letter of appointment and a copy of the signed appointment letter is given to the joinee. The original signed copy of the appointment letter is kept with the Human Resource, for record purposes.

• **Evaluation**
  The selection system is evaluated on a periodic basis. Feedback is asked from the line managers by the Human Resource department whether the selection process adopted by the company is correct. Depending on the
response received, the Human Resource department improves new practices to better its recruitment and selection process. Certain parameters on which the selection process is evaluated are - the performance of the new employee, the employee turnover/attrition/separation during and after the probationary period, etc.

**Activity C**

Explain how the selection process is conducted in an organisation.

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**Ajay Verma:** So Rajesh, have you gone for your induction programme ??

**Rajesh:** No Sir. What is induction ??

**Ajay Verma:** What ??? You haven't gone for your induction !!! Induction is very important. It is……

### 4.6 INDUCTION

Induction, also called Orientation, is designed to provide new employees with the necessary information that they will need to function comfortably and effectively in an organisation. Induction conveys the following information:

- General information about the work routine - number of hours to be worked, office timings, duration for breaks for lunch or snacks, whether home drop
or transport fare is provided in case of late sitting at the office, the number of holidays, etc.

• Information about the organisation - review of the organisation's history, vision and mission, objectives, products and services as well as how the employee's job contributes to the organisation's objectives.

• Information about the organisation's policies, work rules and employee benefits.

Induction is conducted so that the anxiety of new employees can be reduced. New employees are anxious about many things - whether they will be able to fulfill the expectations of the supervisor/organisation, whether their expectations will be fulfilled by the organisation, whether their colleagues will be helpful and well will they get along with their colleagues. If these anxieties are not addressed, then the employee might leave the organisation. Induction is also used to create a favourable impression of the organisation and the work environment. Evaluation of an induction programme is conducted by requesting the new employees to complete questionnaire and to provide their feedback as comments.

Rajesh: Sir, I will definitely go for my induction.

Ajay Verma: Talk to Lata and ask her to send your name for the induction programme. Induction in our company is scheduled for the first working day of every month.

Rajesh: Ok, Sir.
4.7 SUMMARY

Recruitment is the process of searching for and obtaining applications for jobs, so that the right people can be selected from this pool of job seekers. The process of recruitment involves planning, strategy development, searching, screening and evaluation and control. Sources of recruitment could be either internal (within an organisation) or external (outside an organisation). The most popular methods of recruitment are advertisements in the newspapers, consultants, walk-ins and campus recruitment. Selection refers to the process of picking the right candidates from the pool of applications. The final selection is generally done by the Human Resource departments in consultation with the line managers. Selection process consists of 8 steps, starting from preliminary interview and ending with the evaluation of the selection process. Induction is done to provide new employees with the necessary information that he will need to function effectively in an organisation.

4.8 SELF-ASSESSMENT QUESTIONS

1. What is recruitment? Explain the process of recruitment.

2. Describe the various sources of recruitment.

3. What is selection? Explain the process of selection.

4. Write a short note on induction.
India Inc. is plagued not only by the problem of rising attrition but also by 'no show' employees. It is seen that a large number of job seekers who are given offer letters do not show up on the date of joining. Experts say it could have dire consequences on a working professional's career graph.

Quite often employers are faced with the problem of a candidate who has been given the offer letter and is expected to join soon, but does not show up on the joining date - a candidate who simply disappears without any form of notification to the employer. Any employer who has had this problem is sure to have been faced with problems as all plans have been made to get them on board and hand over certain assignments to them. Also, for a working professional, doing the 'no-show' act is not just an unethical practice but can have some dire consequences for his professional career in the long run. So, have you met a 'no show' candidate recently?

Naveen Coomar, vice president - human resources, Impetus Technologies, Inc. expresses, "This is an unethical practice, but there is not much an organisation can do at this stage. This is a reflection of social reality to some extent and also of organisational practice of engaging prospective employees. Smart hiring should be able to engage the candidates strongly to avoid this. We are working out a practice of identifying such candidates and mark their profiles for disuse in future. We are also working out strategies to engage a candidate better during the hiring process to avoid this."

According to Dr Sandeep K Krishnan, vice president - HR and corporate development, Acropetal Technologies Ltd., Bangalore, 'no show' becomes an issue because in an open market there are no much ways to curb this. "However, at entry levels like from MBA schools or engineering colleges, institutes themselves impose restriction on candidates to make sure they accept and join an offer taken up by stopping them to appear for more companies. At senior levels, it generally takes couple of months for a person after accepting the job to join. In case the person fails to join, it generally pulls back the business by at least another couple of months. In India, it is not considered unethical to accept an offer and not join," he asserts.
Is there any mechanism by which the employer can figure out that a certain candidate is not going to show up on the scheduled joining date? "It can be judged through gauging the interest level of candidates and also during extensive HR rounds. Constant touch and regular/ weekly basis interactions with the candidate can help in identifying and anticipating whether the candidate would show up on joining day," avers Coomar.

"The best way to curb this problem is to clearly understand the candidate's expectations and take enough time to understand the fit of the candidate vis-à-vis job and organisation. Many a times, it is only wrong selection that finally ends up as no-show. Constant engagement with the candidate who is joining is another best way to make sure that the person will join. Building your employer brand and making a strong compulsive reason for a person to join after accepting the offer are two positive factors that can reduce 'No Shows'. Offering joining bonuses and buying off notice periods are some other mechanisms to ensure waiting time is reduced for an individual joining and hence increasing the chances of joining," suggests Krishnan.

For candidates, it is imperative that they understand the consequences of doing such an act. If they ever want to come back to an organisation they had earlier done the 'no show' act with, it is going to prove quite hazardous. Your reputation can also be maligned amongst companies, which fall under the same sector or those which are connected to others in one way or the other. So, will such a candidate be considered by the organisation or will it be a case of 'once bitten, twice shy'? "Normally, I shall not like to encourage this. However, in a genuine case, we may reconsider the candidate and re-hire him/her, given a chance to explain his/her absence on the date of joining," says Coomar. According to Krishnan, "Generally if there is a genuine case or a person has asked for prior postponement, we may consider joining late. It is very rare that a person who has not showed up or communicated to you will try to come on board after a long period. In such cases, it will be considered as a fresh application if the case is worth considering and will depend on suitability of the candidate and the position that is getting filled."

So, think twice before you ever try out the 'no show' act with an employer! Though they might not take any direct action against you, the consequences of this act will surely stay with you as a blotch for long!
Recruitment, Selection And Induction

REFERENCE MATERIAL
Click on the links below to view additional reference material for this chapter

Summary

PPT

MCQ

Video 1

Video 2
OBJECTIVES:

After completing this chapter, you should be able to understand:

• What is Motivation

• Some of the early theories of motivation.

• Some of the contemporary theories of motivation.

• Application of motivation in an organisation.
STRUCTURE:

5.1 Nature and importance of Motivation.

5.2 Early theories of motivation.

5.3 Contemporary (Modern) theories of motivation.

5.4 Applied Motivation Practices.

5.5 Summary.

5.6 Self-assessment questions.

Our story continues……..

Ajay Verma: Hey Rajesh, why do you look so sad ??

Rajesh: Sir, what to tell you ?? I enjoy my work but then sometimes I wonder if I will ever achieve my goal of completing my MBA studies.

Ajay Verma: Oh, don't worry. As soon as you achieve your basic goal of physiological and safety needs, you will be on the path to achieve your goals which will increase your self-esteem.

Rajesh: Sir, what are you talking? I did not understand one word of it.

Ajay Verma: Sorry, I apologise. I was talking about a theory of motivation. (laughs first) I will explain to you what is motivation.
5.1 NATURE AND IMPORTANCE OF MOTIVATION

Motivation is what drives a person to perform to the best of his ability. Ability refers to the skill and competence of the person to complete a given task. Motivation is a process which begins with a physiological need (need for air or food or water) or a psychological need (need for recognition), which triggers behaviour that is aimed at a goal. Motivation is the characteristic that helps an individual achieve his goal. Performance is considered to be a function of ability and motivation, thus:

\[ \text{Job performance} = f(\text{ability})(\text{motivation}) \]

Motivation is a very important for an organization because of the following benefits it provides:

• **Puts human resources into action**
  Every concern requires physical, financial and human resources to accomplish the goals. It is through motivation that the human resources can be utilized by making full use of it. This can be done by building willingness in employees to work. This will help the enterprise in securing best possible utilization of resources.

• **Improves level of efficiency of employees**
  The level of a subordinate or an employee does not only depend upon his qualifications and abilities. For getting the best of his work performance, the gap between ability and willingness has to be filled which helps in improving the level of performance. This will result into:
  1. Reducing cost of operations, and
  2. Improving overall efficiency.
  3. Increase in productivity.

• **Leads to achievement of organizational goals**
  The goals of an enterprise can be achieved only when the following factors take place:
  1. There is best possible utilization of resources,
  2. There is a co-operative work environment ,
  3. The employees are goal-directed and they act in a purposive manner,
4. Goals can be achieved if co-ordination and co-operation takes place simultaneously which can be effectively done through motivation.

• **Builds friendly relationship**
  Motivation is an important factor which brings employees satisfaction. This can be done by keeping into mind and framing an incentive plan for the benefit of the employees. This could initiate the following things:

  a. Monetary and non-monetary incentives,
  b. Promotion opportunities for employees,
  c. Disincentives for inefficient employees.

In order to build a cordial, friendly atmosphere in a concern, the above steps should be taken by a manager. This would help in:

1. Effective co-operation which brings stability,
2. Industrial dispute and unrest in employees will reduce,
3. The employees will be adaptable to the changes and there will be no resistance to the change,
4. This will help in providing a smooth and sound concern in which individual interests will coincide with the organizational interests,
5. This will result in profit maximization through increased productivity.

• **Leads to stability of work force**
  Stability of workforce is very important from the point of view of reputation and goodwill of an organisation. The employees can remain loyal to the organisation only when they have a feeling of participation in the management. The skills and efficiency of employees will always be of advantage to employees as well as employers. This will lead to a good public image in the market which will attract competent and qualified people into an organisation.

  From the above discussion, it is clear to say that motivation is an internal feeling which can be understood only by manager since he is in close contact with the employees. Needs, wants and desires are inter-related and they are the driving force to act. These needs can be understood by the manager and he can frame motivation plans accordingly. Motivation
therefore is a continuous process since motivation process is based on needs which are unlimited. The process has to be continued throughout.

Thus, motivation is important both to an individual and a business.

Motivation is important to an individual as:

1. Motivation will help him achieve his personal goals.
2. If an individual is motivated, he will have job satisfaction.
3. Motivation will help in self-development of individual.
4. An individual would always gain by working with a dynamic team.

Similarly, motivation is important to an organisation as:

1. The more motivated the employees are, the more empowered the team is.
2. The more is the team work and individual employee contribution, more profitable and successful is the business.
3. During period of amendments, there will be more adaptability and creativity.
4. Motivation will lead to an optimistic and challenging attitude at work place.
Activity A

What is motivation? Explain its importance.

Ajay Verma: I hope, Rajesh, you have now understood what is motivation and its importance.

Rajesh: Yes, Sir. But you were talking something about my safety needs….I still do not understand what that means.

Ajay Verma: Well, I was talking about Maslow's need hierarchy theory. Let me explain to you that and other theories of motivation.

Rajesh: OK, Sir.

There are many theories which explain motivation. They are classified into:
1. Early theories of Motivation.
2. Contemporary theories of Motivation.
5.2 EARLY THEORIES OF MOTIVATION

**MASLOW’S NEED HIERARCHY THEORY**

The need hierarchy theory of motivation was put forth by Abraham Maslow. The theory states that:

1. Human beings have wants and desires. These wants and desires influence their behaviour. Only unsatisfied needs can influence behaviour.

2. Human beings have many needs and they can be arranged in the order of their importance.

3. Only when one level of need is satisfied, then the person moves on to the next level.
He classified the human needs on the basis of their importance into the below 5 levels:

- **Physiological needs** - This is the most basic need of all human beings. It is the need for physical survival and includes the needs for food, drink, air, sleep, sex, shelter and other bodily needs. In an organisation, physiological needs could be the basic working conditions like an office structure, canteen facilities, drinking water facilities, etc.

- **Safety needs** - This includes security and protection from physical and emotional harm. Security needs in an organisation could be job security, rise in salary, safe working conditions, etc.

- **Belonging & Love needs** - It is the need for affectionate relationships with others. In an organization, these could be in the form of compatible work group, professional (sometimes even personal) friendship and peer acceptance.

- **Self-esteem needs** - These needs include self-respect and esteem from others. Self esteem needs include confidence, achievement, independence and freedom. Esteem from others includes prestige, recognition and appreciation. Self-esteem needs, from an organizational viewpoint, include job title, merit pay, challenging work and co-worker/supervisor appreciation and recognition.

- **Self-actualisation needs** - It includes the desire to become everything that a person is capable of becoming. It is to reach the peak of one's potential. From an organization point, self-actualisation could be in the form of excelling in one's job or successfully managing a team.
**Merits of the theory:**

a) The theory is helpful to managers who are keen about motivating their employees. They can use this theory to identify the individual needs of the employees and offer satisfaction for the particular needs.

b) The theory is also helpful as it explains the many variations in human behavior. It provides insights as to why an employee is motivated by money while another employee is motivated by recognition.

c) The theory also puts forth the idea that motivation is never constant - it is always changing.

**The theory has also been criticized for the following points:**

a) At any given point of time, the hierarchy of needs exists at all levels. A person who is motivated by self-esteem needs will not forget to satisfy his physiological needs.

b) Hierarchy of needs need not be the same for everyone. Some people may place social and security needs higher than self-actualisation. Others may place self-esteem needs higher than physiological needs.

c) Managers may not have the time to diagnose all the needs of every employee. Also, managers may not be able to provide a perfect solution to the needs of every employee.

In spite of these constraints, the theory is important as it has made the management aware of the diverse needs of the employees.

**THEORY X and THEORY Y**

Douglas McGregor proposed two distinct views of human beings: one basically negative - labeled Theory X and the other basically positive - labeled Theory Y. After viewing the way managers dealt with employees, McGregor concluded that a manager's view of the human beings is based on certain assumptions and that he or she tends to mould his or her behaviour towards the subordinates according to these assumptions.

• **Under Theory X, four assumptions are held by the manager:**

1. Employees inherently dislike work and, whenever possible, will attempt to avoid it.
2. Since employees dislike work, they must be coerced, controlled, or threatened with punishment to achieve desired goals.

3. Employees will shirk responsibilities and seek formal direction whenever possible.

4. Most workers place security above all other factors associated with work, and will display little ambition.

- **Theory Y has the following assumptions:**

1. Employees can view work as being as natural as rest or play.

2. A person will exercise self-direction and self-control if he is committed to the objectives.

3. The average person can learn to accept, even seek responsibility.

4. Creativity or the ability to make good decisions is widely dispersed throughout the population, and not necessarily the sole province of only those who are in management functions.

Theory X assumes that lower order needs dominate individuals whereas theory Y assumes that higher order needs dominate individuals. McGregor believed that the Theory Y assumptions were more valid than Theory X assumptions. Therefore, he proposed ideas like participation in decision making, responsible and challenging jobs, and good group relations as approaches that would maximize an employee’s job motivation.

But there is no evidence to confirm that either set of assumptions is valid. Nor is there any evidence that acceptance of Theory Y assumptions and changing one’s actions accordingly will lead to more motivated workers.

**TWO - FACTOR THEORY**

The two-factor theory has been proposed by Frederick Herzberg and is also known as the motivation-hygiene theory. Herzberg along with his associates carried out a survey using the critical incident method for obtaining data for the purpose of analysis. The employees were basically asked two questions-

a) When did they feel particularly good about their job?

b) When did they feel exceptionally bad about their job?
Based on the responses obtained, it was observed that certain characteristics related to job satisfaction and others to job dissatisfaction. These characteristics could be classified into intrinsic/motivation factors and extrinsic/hygiene factors.

**Fig 6**

Intrinsic factors like achievement, recognition, the work itself, responsibility, advancement, and growth seem to be related to job satisfaction. These factors are also known as motivators, satisfiers or job-content factors. When questioned as to when they felt good about their work, the respondents attributed these characteristics to themselves. On the other hand, when they were dissatisfied, they tended to attribute it to extrinsic factors like company policy and administration, supervision, working conditions, salary, status, security and interpersonal relations. These factors are also known as dissatisfiers, hygiene factors, maintenance factors, or job-context factors.

According to Herzberg, satisfaction is affected by motivators and dissatisfaction by hygiene factors. Also, satisfaction and dissatisfaction were two separate characteristics of a job and the opposite of 'satisfaction' was
not 'dissatisfaction' but it was 'no satisfaction'. Also, the opposite of 'dissatisfaction' was 'no dissatisfaction'.

Hygiene factors, when made available to employees, will not result in motivation. At the most, the employees will not be dissatisfied. But, at the same time the employees will not be satisfied. The employees will be satisfied and motivated only when they are provided the motivation factors. The motivating factors like promotion and recognition are found to be intrinsically rewarding.

**Evaluation of the theory**

Upon evaluation, the following points have emerged:

• The procedure that Herzberg used is limited by its methodology. When things are going well, employees tend to credit themselves, and on the other hand they blame failure on the extrinsic environment.

• The reliability of Herzberg's methodology is questioned. Since raters have to make interpretations, it is possible they may contaminate the findings by interpreting one response in one manner while treating a similar response differently.

• No overall measure of satisfaction was utilized. A person my dislike part of his or her jobs; yet think the job as acceptable.

• The theory is inconsistent with previous research. The motivation-hygiene theory ignores situational variables.

• Herzberg assumes a relationship between satisfaction and productivity, but the research methodology he used looked only at satisfaction and not at productivity. To make such research relevant, one must assume a strong relationship between satisfaction and productivity.
Activity B

Describe the early theories of motivation.

5.3 CONTEMPORARY THEORIES OF MOTIVATION

ACHIEVEMENT MOTIVATION THEORY

Achievement Motivation Theory or the Three Needs Theory has been put forward by David C. McClelland. In this theory, he states that a person's behaviour is mostly motivated by any of the 3 needs - power, affiliation and achievement. It does not mean that a person does not have other needs, but it means that a person is primarily motivated by any of these 3 needs.

• Need for Achievement (nAch)
  Employees with a high need for achievement get satisfaction when they achieve the goals that they have set. Succeeding at a task is very important to the high achiever. They are mostly rewarded in terms of money, though money is not the motivating factor for employees with high need for achievement. Employees with high need for achievement require feedback about their achievements.

• Need for Power (nPow)
  Employees displaying the needs for power derive satisfaction from the ability to control others. Actual achievement of goals is less important than the means by which the goals are achieved. Satisfaction is derived from being in positions of influence and control, and individuals who have a high
need for power derive satisfaction from being in positions of influence and control.

- **Need for Affiliation (nAff)**
  Individuals with the need for affiliation derive satisfaction from social and interpersonal activities. There is a need to form strong interpersonal ties and to 'get close' to people. Such individuals will prefer to work with their friends rather than technically competent people.

**Merits of the theory:**

a) The theory highlights the importance of matching the individual and the job. Employees with low achievement needs prefer situations of stability, security and predictability. They respond better to considerate supervision than to impersonal high-pressure supervision and look to the workplace and co-workers for social satisfaction.

b) Employees with high achievement needs thrive on work that is challenging, satisfying, stimulating and complex. They welcome autonomy, variety and frequent feedback from supervisors.

c) The research also suggests that managers can, to some extent, raise the achievement needs level of subordinates by creating the proper work environment by permitting their subordinates independence, increasing responsibility and autonomy, gradually making tasks more challenging, and praising and rewarding high performance.

**The theory has also been criticized for the following points:**

a) The theory has been criticized on the question whether motives can be taught to adults. Psychologists suggest that the acquisition of motives normally occurs in childhood and is very difficult to change, once it has been established.

b) The theory has been criticized for the methodology used by McClelland.

c) The theory has been criticized for the point that the needs are permanently acquired. McClelland argued that the needs can be changed socially through education or training. But the critics affirm that this change is only temporary and that the needs cannot be changed and that they are permanently acquired.
**EQUITY THEORY**

The equity theory is also known as the 'social comparison' theory or the 'inequity' theory. The equity theory is based on the assumption that individuals are motivated by their desire to be equitably treated in their work relationships. When employees work for an organisation they basically exchange their services for pay and other benefits.

Employees do not work in a vacuum. They constantly make comparisons. The theory proposes that an employee compares his job inputs and outcomes with another employee having similar work and education background. If his input-outcome ratio is equal with the other employee's input-outcome ratio, then the employee feels they are equal. If the ratios are unequal, then the employee will view himself as underpaid or overpaid. He will then be motivated to correct this inequity.

When attempting to reduce inequity, the employee will try any of the following alternatives:

a) The employee will alter his inputs.

b) The employee will alter his outcomes.

c) The employee might distort his inputs and outcomes.

d) The employee may leave the organisation.

e) The employee may seek another employee to compare himself to.

f) The employee might distort the inputs and outcomes of the other compared employee, thus forcing the other employee to leave the organisation.

**Merits of the theory:**

a) The theory recognizes the influence of social comparison processes on motivation. Individuals are concerned not only with the absolute amount of reward they receive for their efforts, but also with the relationship of this amount to what others receive. Any inequity motivates them to restore equity.
b) The theory adopts a realistic approach to motivation. The theory states that a major share of motivated behaviour is based on the perceived situation rather than on the actual set of circumstances.

**Criticism of the theory:**

a) The theory is not clear as to how a person chooses or changes the other person with whom he compares himself to.

b) The relationship between inputs and outcomes has not been looked into.

c) The feeling of inequity may force one employee to quit the job while another employee may change the person to whom they are comparing themselves. Hence, the theory has been criticized for the method of resolution used to resolve inequity.

**EXPECTANCY THEORY**

The most comprehensive explanation of motivation is expectancy theory. The theory argues that the strength of tendency to act in a certain way depends on the strength of an expectation that the act will be followed by a given outcome and on the attractiveness of that outcome to the individual. Therefore, it includes the following three variables:

1. **Attractiveness**

The importance the individual places on the outcome or reward that can be achieved on the job. This considers the unsatisfied needs of the individuals.

2. **Performance-reward linkage**

The degree to which the individual believes performing at a particular level will lead to the attainment of a desired outcome.

3. **Effort-performance linkage**

The probability perceived by the individual that exerting a given amount of effort would lead to performance.

If any one of these variables is low, motivation is likely to be low. No matter how tightly desired outcomes are linked to performance, if an employee thinks that it is impossible for him to perform, then motivation to perform will
be low. Similarly, if the employee does not think that the outcome is linked to performance, or if the employee does not desire the outcome, then motivation will be low.

Managers of successful firms strive to ensure that all the three variables are high so that the employee is highly motivated.

**Merits of the theory:**

a) The theory views individuals as thinking, reasoning beings who have beliefs and anticipations concerning future events in their lives. This model values human dignity.

b) The theory implies that managers must make it possible for an employee to see that effort can result in appropriate need satisfying rewards.

**Criticisms of the theory:**

a) The theory does not state in which situations it can be applied.

b) The theory is complex and it has not been fully tested.

c) The theory has limited use because it tends to be valid only in situations where the effort-performance and the performance-reward linkages are clearly perceived by the employees.

**Activity C**

Describe the contemporary theories of motivation.
Motivation

*Rajesh*: Wow, I did not know that there were theories for motivation. Thank you Sir for explaining them to me.

*Ajay Verma*: Yes, the theories explain a lot about motivation. But it is not enough to know the theories. You should also know how and when to apply them.

5.4 APPLIED MOTIVATION PRACTICES

A manager in an organisation, in addition to having knowledge about the various theories of motivation, should also know how to apply these theories to motivate his subordinates. Some of the ways of motivating employees are through rewards, job design, empowerment, participative management, profit sharing, merit pay, etc.

**FINANCIAL REWARDS**

Organisational rewards can be mostly classified into - Membership and Seniority-based rewards, Job status-based rewards, Competency-based rewards, and Performance-based rewards.

- **Membership and Seniority-based rewards**

  Membership-based rewards are rewards received if a person is member of an accredited association or institution. A Chartered Accountant or a Company Secretary or a Cost Accountant is paid more than a Graduate.

  Seniority-based rewards are those rewards which are paid on the basis of a person's seniority in the firm. Advancement pay raises, retirement benefits and perquisites depend on the seniority of an employee in the firm.

  There are advantages and limitations associated with membership and seniority based rewards. Membership rewards are used to attract job applicants of a certain qualification but these rewards may not directly motivate job performance. Seniority based rewards reduces the employee turnover since the cost of quitting increases with the employee's length of service. But seniority based rewards may fail to motivate junior achievers to perform better. Another disadvantage with both membership and seniority based rewards is that they may discourage poor performers from leaving
the organisation voluntarily as alternative jobs may not be available to these poor performers. Most of the times, it is the junior achievers who leave for better-paying jobs.

• **Job status-based rewards**

Every organisation rewards employees for the status of the jobs they are holding. Job evaluation systems are used by firms to evaluate the worth of each job in terms of the necessary skills, effort and responsibility, and working conditions. If a firm does not use job evaluation system, then it relies on the pay surveys conducted by research organisations on its competitors. Jobs that require more skill and effort, have more responsibility and have difficult working conditions have more value and therefore the pay would be high for such jobs. A supervisor will receive higher rewards than a junior mechanic in the firm. This is because, the supervisor's job has more value to the organisation (calculated by the job evaluation system or the pay survey).

High status job-holders rewarded with more perquisites, larger offices, company-paid vehicles, etc.

Job status-based rewards maintain feelings of equity. Job evaluation systems ensure internal equity that is the employees feel their pay is fair when compared to how much other jobs in the organisation are paid. Pay surveys help in maintaining external equity, that is the employees feel their pay is fair when compared to how much other people in other organisations are paid. Job status-based rewards motivate employees to compete for positions higher up in the organizational hierarchy.

But sometimes, these rewards fail to motivate achievers to perform better as they feel that non-performers still get rewarded better as they are holding a higher status job. Also, employees might exaggerate their job description to get a higher job-status which will then help them in getting higher rewards.

• **Competency-based rewards**

Competency-based rewards are rewards given to employees on the basis of their competencies. Competencies are reflected in the skills, knowledge
and behaviours displayed by employees. Rewards on the basis of competencies leads to skill-based pay, where the employees are paid on the number of skills they display while handling different jobs or on the depth of the knowledge while handling one job.

Competency-based rewards motivate employees to acquire additional skills so that they become more useful to the organisation. It also results in process, product and work improvements as the various skills help an employee in identifying ways to better the job. On the other hand, the pay disparities could de-motivate other employees.

• **Performance-based rewards**

Nowadays, the emerging trend is to link pay to performance rather than to seniority or membership. Most of the performance-based rewards can be classified as following:

Individual rewards: Piece rate, Commission, Merit pay, Bonuses.

Team rewards: Gain sharing, special bonuses, Paid vacations.

Organisational rewards: Profit sharing, Stock options.

Individual rewards are very common in organisations. Piece rate is the reward given to the number of units produced or the number of transactions processed by an employee. Piece rate is common in the production sector. It is also an emerging reward in the current BPO sector. Commissions are a fixed percentage or fixed amount paid on the actual sales achieved by sales people. This is used mostly in the real estate and manufacturing sectors. Merit pay is based on an individual's performance. Bonuses are paid on the achievement of certain objectives by an individual.

Team rewards are paid so that these rewards support the team-based structures. This is also done to encourage team spirit in the organisation. Some teams are rewarded with special bonuses or paid vacations or gifts if the team has collectively achieved specific goals. Top sales people of an organisation might be sent on all-expense-paid vacation trips to exotic places, when they achieve certain sales objectives of the firm. Gain sharing is a type of reward that motivates team members to reduce costs and
increase labour efficiency in their process. Mostly, the company shares the benefits of the cost savings with the employees who helped achieve the cost saving.

Profit sharing is an organizational performance-based reward. Corporate profits are awarded to designated employees. Employees stock option schemes (ESOPs) are given to employees so that they also can be owners of the firm. ESOPs are used as a retention strategy so that an employee can complete certain years of service in the organisation. This is done to ensure that high achievers do not leave the organisation for better paying jobs at the competitors'.

**Activity D**

List the various financial rewards in your own organisation.

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_____________________________________________________________

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_____________________________________________________________

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**NON-FINANCIAL REWARDS**

These are mostly in the form of awards, letters of appreciation, club membership, gift vouchers, etc. These are mostly given in recognition of achievements of the employees.

For example: Punctuality on all working days of the year, completion of certain years of service in the organisation, achieving savings through cost reduction in processes, etc.
BEHAVIOURAL METHODS OF MOTIVATION

In addition to the above methods of motivation - financial and non-financial rewards - there are other methods of motivating the employees which aim at changing the behaviour of the employees. Some of these are explained below:

• Job Design

Job design has a critical impact on the motivation of the employees. It is the process of determining the content of the job and how the job should be performed. It was Herzberg who conceived job design as an important instrument to motivate employees. Jobs are designed by focusing on the individual and the interaction between him and specific attributes of the job. Such an approach helps make the job interesting and keeps the employee motivated.

Some of the approaches of job design are job rotation, job enlargement, job enrichment. Job enrichment has more impact and is more complex than job enlargement and job rotation.

Fig 7
• **Job Rotation**

Job rotation refers to moving employees from one job to another job so as to add variety and reduce boredom by allowing them to perform a variety of tasks. When an activity is no longer challenging, the employee would be moved to another job at the same level that has similar skill requirements. By diversifying the employee's activities or jobs, the disinterest or boredom of the employee is reduced.

For example, an electrician, in the first week will be assigned the task of drilling holes in the walls. In the second week, he will be assigned the task of laying down the electrical cables and in the third week, he will be assigned the task of testing the electrical system laid down.

Employees with a wider range of skills are more flexible to adapt to change. Such employees can also be selected to fill vacancies. On the other hand, training costs increase. There is disruption of work as the rotated employees take time to adjust to the new job. It can de-motivate ambitious employees who seek specific responsibilities in their chosen speciality.

• **Job Enlargement**

Job enlargement refers to the expansion of the number of different tasks performed by an employee in a single job. Job enlargement attempts to add similar tasks to the existing job so that it has more variety and be more appreciated.

For example, earlier in banks, one person would handle prepare letter of credit for issuance, a second person would amend it, a third person negotiated the payment and a fourth person would pass the debit or credit entry in the customer's account. This was how a typical letter of credit transaction used to take place. Nowadays, all these four activities are performed by a single person as a single transaction.

Enlarged jobs with optimal levels of complexity create tasks that are challenging but attainable. Enlarged jobs allow for more meaningful feedback and can be particularly motivating if they are linked to organizational rewards. However, employees may require additional
training for the new and enlarged tasks. Also, productivity may fall down as the employee adjusts to the enlarged scope of his work.

• **Job Enrichment**

A job is enriched when the nature of the job is exciting, challenging and creative, or it gives the employee more decision-making, planning and controlling powers.

For example, the job of an electrician is enriched when he is assigned the tasks of ordering the raw material of electrical cables and of designing the electrical system. These jobs, in addition, to the tasks of drilling holes in the walls, laying down the electrical cables and testing the electrical system laid down, gives the electrician decision-making, controlling and planning powers.

Job enrichment improves both task efficiency and human satisfaction by building greater scope for employee's personal achievement and recognition. It makes a job more challenging and responsible thus giving more opportunity for individual advancement and growth.

Job enrichment benefits employees and organizations in terms of personal motivation, performance, satisfaction, job involvement and reduced absenteeism. On the other hand, the employees may not want more responsibility. They may, in fact, be content with the lack of responsibility present in the job. Job enrichment is not a substitute for good supervisory practices, company policies and compensation package.

**EMPOWERMENT**

In the earlier days, employers would motivate employees by providing them with financial rewards. But nowadays, young job aspirants are looking for more than just monetary rewards. More than monetary rewards, it is the feeling that the employee 'owns' the job that motivates him/her to perform the job.

Empowerment can be understood as the process of enhancing feelings of self-efficiency and a sense of 'owning' a job. Empowered employees are
energetic and passionate. Because they are empowered they aspire to do a better job and are the ones who will suggest improvements or cost initiatives. It may not lead to monetary rewards always but they feel a sense of satisfaction on a personal level.

Empowerment is facilitated by a combination of factors including values, leadership, job structure, and reward systems. It occurs when power of decision-making and authority to share resources goes to employees who then experience a sense of ownership and control over jobs. Empowered employees know that their jobs belong to them. Given a say on how things are done, employees feel more responsible. When they feel responsible, they show more initiative in their work, get more done and enjoy the work more.

Information sharing and team formation are crucial building blocks of empowerment. Empowered employees know what they are working towards and understand how their work affects other employees and the organization as a whole.
5.5 SUMMARY

Motivation is the characteristic that helps an individual achieve his goal. Performance is considered to be a function of ability and motivation. Motivation is important as it puts human resources into action, improves level of efficiency of employees and leads to achievement of organizational goals. Maslow's need hierarchy, McGregor's Theory X and Y, and Herzberg's two factor theory are some of the early theories of motivation. Need achievement theory, expectancy theory and equity theory are some of the contemporary theories of motivation. Financial rewards are awarded on the basis of merit, seniority, job status, competency and performance. Non-financial rewards are mostly in the form of awards, letters of appreciation, club membership, gift vouchers, etc. Behavioural methods of motivation involve job rotation, job enlargement, job enrichment and empowerment - to name a few.

5.6 SELF-ASSESSMENT QUESTIONS

1. Explain motivation as a concept and describe its importance.
2. Evaluate the early and contemporary theories of motivation.
3. Describe the various financial rewards.
4. Explain the non-financial aspects of motivation in an organisation.
Maintaining a motivated, quality workforce can be quite challenging in the future as many organisations look for creative ways to get Baby Boomers, Gen-Xers and Gen Y employees to work together as an effective, cooperative and respectful team.

With markets and industries growing at a fast pace, matching this growth with productivity has never been more pronounced. In the backdrop of increasing level of globalization and improved access of resources to all, it would not be wrong to conclude that it is the quality of people and workforce that define an organization. Today, motivating employees to achieve and realize their best has become imperative for any organization's growth. "Needless to say, our growth is contingent on developing, growing and honing talent of our workforce and encouraging them to perform better. The easiest way to do so is through motivation. As the workplace and employer-employee relationship continue to evolve and reach newer heights, retaining talent and ensuring efficiency is not only significant but also achievable. HR today has a host of tools ranging from peer recognition to remunerative benefits to a challenging work place environment conducive to growth among many others," says Anshoo Gaur, General Manager and Head, Amdocs India.

"Getting quality workforce is an activity but maintaining them is the process. So, the end result is getting higher productivity from the people. It has been observed that many organisations keep hiring resources but productivity level per employee is less than 50 per cent, which actually increases size of an organisation but not the business or revenue. A quality and motivated workforce always gives results beyond expectations," notes Sunil Goel, Director, GlobalHunt, an executive search firm.

So are organizations looking for creative ways to get the multi-generational workforce to work together as an effective, cooperative team? While making employees with different capabilities, ages and profiles work together as a team is what HR departments of several organisations have been successful in achieving, the mode deployed to do so must be in accordance with the employee profile. Amdocs uses a mix of financial incentives, subordinatepeer- senior appreciation along with a larger level of
responsibility. "Updating employees on latest happenings makes them feel a part of the organisation and motivates them to give in their best. Employees spend substantial hours a day at the work place and hence there is a huge scope to effectively deploy communication tools for motivation that are in accordance with an employee's profile, aspirations, likes and preferences. For instance Gen-Y employees would appreciate social media, tweets, blogs, sms updates, much more than a coffee table book on a work related subject that could occupy space on a desk in a senior official's cabin," adds Gaur.

IBM is leveraging a wide range of technology tools to connect and engage with its vast and geographically dispersed workforce. These tools help employees feel connected to the larger organization and also help them establish a distinct identity for themselves. "We have been taking the concept of social networking and applying it within the IBM firewalls to enable collaboration and innovation. Some of the key collaborative tools used to engage our employees are:

a) **IBM BlogCentral** - a site that hosts more than 1400 active blogs, many of which spark lively dialogue on emerging technologies and other topics germane to IBM's business.

b) **Media Library** - an online centralized repository that allows IBMers to share photos, videos etc with other IBMers across the globe

c) **PodSmart** - an innovative way to create personalised content for digital audio player. IBM extensively uses Podcasts to share executive interviews with the employees through intranet.

d) **ThinkPlace** - an online, collaborative tool called ThinkPlace provides an open and collaborative forum for idea generation and refinement. Employees surface opportunities to grow the business, identify solutions for critical client and business needs, and offer improvements for existing problems or internal inhibitors."

Convergys realises that it's vital to tap each generation's skills and potential for the rewards they can bring to the business. "I believe that companies are always on the lookout for how to make such diverse teams more effective. Knocking down parochial boundaries is a very effective way to break the ice between various generations. We promote the use of first
names at work, for example. This immediately lends a personal touch to team conversations. The open-door policies adopted by senior management and other executives also helps to foster communication between various generations at work," says Ashish Garg, Director, HR, Convergys India.

Face-2-Face is an employee portal that Convergys uses to enable effective communication between senior management and employees across all levels in the company. The use of such portals and platforms enables an easy exchange of ideas in a one-on-one forum.

A motivated, multi-generational workforce is a phenomenal asset to a company, especially when each member of a team recognizes that they have unique and valuable perspectives that together can help solve business issues. For example, younger team members can bring a fresh approach to solving a business issue, while more experienced team members can provide their knowledge on how to transform a good idea into an actionable business plan that will meet the team's objective. Whatever the route, a classic mix of fresh perspective and refined thought is a heady concoction which if properly channeled helps make great workplaces.
REFERENCE MATERIAL
Click on the links below to view additional reference material for this chapter

Summary

PPT

MCQ

Video 1

Video 2

Video 3
OBJECTIVES:

After completing this chapter, you should be able to understand:

• Nature of Training & Development

• How training process is conducted in an organisation.

• The different methods of training.

• How a training programme is evaluated.

• The different barriers to an effective training programme.
The story continues……..

Ajay Verma was on his way back to the factory. Rajesh noticed that he was slightly disturbed.

He asked Ajay Verma …….

*Rajesh*: Sir, if I may ask - what is troubling you?

*Ajay Verma*: Rajesh, this visit has been an eye opener for me. I was thinking that the training we provide to our workers is excellent.

*Rajesh*: The training is not excellent now??

*Ajay Verma*: No, I can see that there are some gaps and we have to rectify them.

*Rajesh*: Sir, why do we require training? We are qualified enough to do our jobs.

*Ajay Verma*: Yes, I know. Let me explain why I think that training is required in addition to your qualification.
6.1 NATURE OF TRAINING AND DEVELOPMENT

Training and development refers to the imparting of specific skills, abilities and knowledge to an employee. New employees in an organization need training to perform their duties effectively. Current employees of an organization must be trained so that they can perform better on their jobs on a daily basis. Training also teaches employees different and creative ways of working so as to increase their productivity. Training when provided to employees at a managerial level helps them to attain a certain level of maturity, so that they are in a better position to lead a team.

Companies derive competitive advantage from training and development. Training and development helps remove performance deficiencies in employees, especially when the deficiency is caused by a lack of ability. Training and development is effective when the individual has the aptitude and motivation to learn to do the job better, and when the superiors are supportive of this desired behaviour.

Training serves as an effective internal source of recruitment for the organization. Training helps in grooming the current human resources for future growth opportunities. At the same time, the employee's personal and career goals are furthered, as training adds to his abilities and value to the organization.

6.2 BENEFITS OF TRAINING AND DEVELOPMENT

Training benefits the organization and the employees in the following ways:

• Leads to improved profitability.
• Improves the job knowledge and skills at all levels of the organization.
• Improves the morale of the workforce.
• Helps create a better image for the organization.
• Improves relationship between employer and employee.
• Helps in the overall organizational development.
• Organization gets more effective decision-making and problem-solving skills.

• Helps the organization in development of human resources for promotion from within.

• Aids in increasing productivity and quality of work.

• Helps in reducing costs in many functions like production, personnel, administration, etc.

• Helps employees adapt to change.

• Conflicts are handled better thus leading to less stress and tension in the workplace.

• Helps the individual employees in developing self-confidence.

• Provides information to employees and managers for improving leadership, knowledge, communication skills and attitudes.

• Provides information on organizational policies, rules and regulations.

• Improves the interpersonal skills, thus helping to improve the boss-subordinate relationship, subordinate-subordinate relationship and relationship between the various departments and functions in an organization.

• Builds togetherness and cohesiveness in groups.

• Improves the morale in the organization.

*Rajesh*: That was an eye opener for me, Sir!!!

*Ajay Verma*: Wait Rajesh!!! There is more…..Let me explain the process that we follow for training and development.
6.3 PROCESS OF TRAINING

Assessment of Training needs

Before an organization can commit huge amounts of money for the purpose of training and development of its employees, it needs to assess the training needs of its employees. Assessment of training needs is essential as it gives a direction to the training and development programme and ensures that the training provided is in alignment with the goals of the organization. It helps in ensuring the career paths of the employees which in turn results in better quality of the employees. This helps the organization a competitive edge over its competitors.

Assessment of training needs occurs on two levels - group and individual. Individuals may require new skills in case of possible job transfers and new jobs. On a group level, training may be required if there is a change in the organization's strategy or when the organization decides to introduce a new line of products or services.

Assessment of training needs is possible only with the support of the organization.

While conducting the assessment, the Human Resources department examines the organizational goals and the trends that are likely to affect these goals. After obtaining the organizational support and the organizational analysis, it is necessary to identify what tasks are needed for each job and which knowledge, skills and abilities are necessary to perform these tasks. After this an analysis of the individual employees is undertaken to determine the knowledge and the skills which an employee may already possess.
• **Deriving Training Objectives**

Assessment of training needs helps in preparing a blueprint that describes the objectives to be achieved by the trainee upon completion of the training programme. Training objectives provides the input for designing the training programme as well as for measuring the effectiveness of the training programme.

• **Designing Training Programme**

Every training and development programme must address important issues like who will participate in the training programme, who will be the trainers, what methods are to be used for training, what should be the level of training, what learning principles are needed and where the programme should be conducted. Trainees should be selected on the basis of self nomination, recommendations of the supervisors or by the Human Resource department. Trainers may be immediate supervisors, co-workers, the members of the Human Resource department, specialists from within the organization, consultants from outside the organization, industry associations, and faculty members at colleges and universities. Trainers are selected on the basis of the skills that are to be taught. Training and development programmes are more likely to be effective when they incorporate the principles of learning such as employee motivation and feedback.

• **Implementation of the Training Programme**

Once the training programme has been designed, it needs to be implemented. Implementation is difficult as most employees are too busy in their day-to-day job activities to attend the training programme. Also, good trainers with excellent communication skills are not easily available. The Human Resources department has a tough time in scheduling the training around the work duties of the employees.

• **Evaluation of the Training Programme**

Evaluation helps in determining the effectiveness and the results of the training programme. It helps in determining whether the training objectives are achieved or not. Questionnaire is a simple method used to evaluate the
training programmes. Training programmes are evaluated for their cost effectiveness. Training costs include the needs assessment costs, salaries of the training and development staff, trainers' costs and programme development costs.

**Activity A**

What is training and development? What are the benefits of training? Explain the process of training and development.

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Rajesh: So Sir, is this process once in the lifetime of the organization?

Ajay Verma: No, Rajesh. We follow this process every year. Else, how will it be effective given the various changes in our technology and business environment?

Rajesh: Oh ! Ok !

Ajay Verma: Let me tell you about the various methods of training and development.

Rajesh: Please go ahead, Sir.
6.4 VARIOUS METHODS OF TRAINING AND DEVELOPMENT

Training methods can be broadly classified into two sections:

1. On-the-job training.
2. Off-the-job training.

**ON-THE-JOB TRAINING:**

As the name suggests, on-the-job training means training given while working at the workplace. On-the-job training is an inexpensive way of training and it does not require preparations like selection of the training venue, organizing facilities, etc. It provides a quick feedback to the trainee and there is no disruption in the work. The motivation of the trainee to learn is high as he is aware that his success on the job depends on the training received. On-the-job training may not be systematically organized.

Job instruction, internship, apprenticeship, coaching and job rotation are some of the examples of on-the-job training.

**• Job Instruction**

Job Instruction Training is a step-by-step, relatively simple technique used to train employees on the job. It is especially suitable for teaching manual skills or procedures. The trainer is usually the employee's supervisor or a co-worker. In this method, the trainer demonstrates to the trainee how a job is done. The trainer then asks the trainee to perform the job. Any gaps in the trainee's learning process are resolved immediately. After the training is provided, a follow up is done by the trainer to check whether the trainee is able to perform the job without any supervision. The steps taken to perform a job are often summarized and printed on a small card that can be put in an employee's wallet or pocket. The employee can refer to the card when instructing another employee.

**• Internship**

In an internship, an individual gets the opportunity to experience his/her industry of interest before entering into it full time and opting for it as his/her future career field. This type of training is best suited for students who are newly graduated and who do not have any work experience as internships.
are ideal for understanding the way a particular industry functions and what it would be like to work in that industry. Such an experience puts them in a better situation to decide whether they are suited for a particular role / industry or not. Many companies go on to hire their successful intern's full time. Most internship is unpaid but some offer a low wage or a stipend. Many of the internships are organized through colleges and professional bodies.

• **Apprenticeship**

It is a combination of classroom instruction and on-the-job training. It is a training programme where an individual can earn wages while he learns a skilled profession in a specific field, such as construction, health care, or culinary arts. The training is done on the job while working for an employer who helps the apprentices learn their trade, in exchange for their continuing to work for him for an agreed period, even after they become skilled.

• **Coaching**

Coaching is the practice of giving sufficient direction, instruction and training to a person or a group of people, so as to achieve goals or develop specific skills. Usually in an organization, the coach is a superior or the manager. Though coaching is a system of providing training, the method of coaching differs from person to person, aim or goals to be attained, and the areas needed. In order to decide the coaching methods the coach should know about the trainee's aim or the goal, skills and drawbacks, training environment, training aids needed etc. Coaching methods includes both theoretical and practical sections.

• **Job Rotation**

It involves moving management trainees from department to department to learn the different functions of the organization. It is useful to the management trainees as they are able to understand the basics of the business.

**OFF-THE-JOB TRAINING:**

Off-the-job training happens away from a work place. This is necessary to get people from the stress and frustration of the workplace. Off-the-job
training enables trainees to absorb new and innovative ideas in a relaxed environment. The only problem is that the training provided may not be relevant to the actual events happening at the workplace. Some of the off-the-job training techniques are:

- **Lectures**

  Lectures are a verbal presentation of information by a knowledgeable instructor to an audience. It is used for large groups and hence the cost per trainee is low. But there is no learning by practice. Also, since it is a one-way communication and no feedback is asked from audience, lectures are not so popular. However, nowadays, lecturers interact more with their audience and frequently invite questions regarding the subject from the audience. Lectures can be interesting when it is also used with other methods of training.

- **Audio-Visuals**

  Audio-visuals include slides, videos and films. It is used to provide realistic examples of job conditions. The quality of audio-visuals is consistent and hence can be controlled. But, like lectures, it is one way of communication and hence found to be boring. Also, the presentation is standard for any type of audience.

- **Computer-Assisted Instruction**

  No trainer is involved and the information is provided to trainee in parts on a computer. After completion of one part, the trainee has to answer questions about the part. Correct answers to the questions are provided after each response. If the answers of the trainee are correct, the trainee moves to the next part. If the answers are wrong, the trainee has to repeat the part. This method is useful as the trainee can learn at his own speed. But the cost is high as the material has to be developed.

- **Simulation**

  It is a technique that duplicates as nearly as possible the actual conditions encountered on the job. Simulation is an attempt to create a realistic decision making environment for the trainee. Simulations present likely problem situations and decision alternatives to the trainee. The results of
those decisions are reported back to the trainee with an explanation of what would have happened had they actually been made in the workplace. The trainee learns from this feedback and improves his/her subsequent simulation and thereby, his/her workplace decisions in the future. The most common types of simulation are - case studying, role playing and vestibule training.

• **Case Studying**

It is a written description of an actual situation in business. The reader upon reading the case study has to examine what is going on, assess the real situation is or what the problems are, and has to provide a solution as to what can and should be done to rectify the situation or problem. Case studies are taken from the actual experiences of organizations and they describe accurately the real problems that managers face in their functioning. Case study is conducted in a group environment as the best solution is arrived at only after discussions among the participants. It is an ideal method to increase decision-making abilities.

• **Role Playing**

It focuses on human relations issues. In role playing, a realistic situation is created and the trainees assume the parts of specific personalities in the situation. For example, the boss may assume the role of the employee and the employee may assume the role of the boss. Then, both are given a typical work situation and are asked to respond as per the roles. Role playing results in better understanding among individuals. This in turn leads to better interpersonal relations. Changes in attitude are another result of role playing.

• **Vestibule Training**

Vestibule training takes place away from the work environment and it utilizes equipment which closely resembles the actual ones used on the job. The trainee is permitted to learn under simulated conditions, without disrupting ongoing operations. Vestibule training is advantageous as it helps the trainee to concentrate on learning rather than being distracted by work.
• Sensitivity training

Sensitivity training basically focuses on gaining insight into one's own and others' behaviour. Trainings are normally conducted for a small group of employees, usually 12 to 15, with a passive trainer for observation. Discussions focus on 'why participants behave as they do, how they are perceived by others, how they perceive others and the emotions generated in the interaction processes. The objectives of the sensitivity training are to provide the participants with increased self awareness of their behaviour, increase in their sensitivity to the behaviour of others and increased understanding of group dynamics. The results of sensitivity training are increase in one's empathy to others, listening skills and increase in conflict-resolution skills.

• Management Games

Business games are becoming highly popular in developing managers and supervisors. Games actually duplicate selected factors in a particular business situation. Employees and the managers learn best by being involved in the game. The trainees are usually divided into groups. The groups have to elect their leaders and have to organize themselves. This develops their leadership skills and fosters teamwork and co-operation. After the game is finished, feedback is provided to the trainees as to the abilities and interpersonal skills displayed by them, the impact of their decisions and the corrective actions to be taken in future and in the job scenario. However, the trainees might be more interested in playing and winning the game instead of concentrating on making a good decision.

• Behaviour Modeling

Behaviour modeling seeks to improve interpersonal skills among the trainees. Behaviour modeling is basically learning through observation. In organizations employees learn all kinds of behaviours (work related or otherwise) by observing supervisors, managers and co-workers who serve as role models. Role models have a tremendous influence on individuals and on their behaviour.
• **Seminars and Conferences**

Seminars and conferences facilitate meeting together of groups of people to seek mutual development. Such programmes can be used to communicate ideas, policies or procedures. Issues are discussed and debated. Seminars and conferences are also used to communicate new developments or new trends in various fields such as finance, management, technology, etc.

**Activity B**

Explain the different methods of training and development.

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6.5 EVALUATION OF A TRAINING PROGRAMME

Modern organizations place great emphasis on training. Keeping employees acquainted of the latest in technology and training them in other "people skills" such as negotiation, communication is considered extremely vital. In the face of rapidly changing technology that becomes obsolete very quickly and demanding conditions in the market, companies invest enormous time, effort and resources to provide training to their employees. In this context, it is but natural that the management would want to ensure that the training imparted is of high quality and that the training process is efficiently managed. Therefore, the process of training evaluation assumes a place that is almost equal to the training itself.
In almost all organizations, feedback forms are distributed among the participants after the training. The way the questions are framed has a lot to do with the proper evaluation of the training. The questions need to be unambiguous, precise and incisive.

The main questions in training evaluation should be centered on the following aspects.

- Extent to which the training needs were achieved.
- Extent to which the individual's expectations were attained.
- Specific information obtained through the training process.
- Probable area where the information acquired would be implemented.

Organizations, sometimes, fail to do this exercise seriously due to reasons such as lack of time or resources in the human resources department. This results in courses that are way off the expectations and requirements of the organization. This results in wasteful expenditure and the courses conducted start to lose their seriousness. Evaluation of training should, therefore, be treated as a distinct function separate from the impartation of training.

The evaluation mechanism should have its own set of people who evaluate the training programs and a clear line of authority responsible for this. Though the primary responsibility lies with the people in charge of doing the evaluation, people at all rungs of the management ladder should be involved in the evaluation process - from the senior management to the trainee who receives the training.

Central to the evaluation of the training program is the role of the trainer himself. As the conductor of the program, the trainer plays a major role. The trainer has to understand the expectation of the management, appropriately design the course content, and decide the medium of delivery (intranet presentation, DVD/CD or distance learning).

Unlike other investments, investment in training is intangible and traditional methods of calculation of returns such as Returns-on-Investment cannot be done. This is because the benefits of training, though they can be perceived, cannot be quantified. The return of training can be felt in improved customer care, better output, reduced stress level and boosted morale.
Training evaluation is a critical exercise necessary to ensure that the conduction of training does not degenerate into a routine ritual and that the entire process is accorded the seriousness it deserves. If rightly implemented, it can focus the training effort to areas that deserve fresh inputs and make valuable contributions to the organization's growth.

*Rajesh:* That was very informative, Sir.

*Ajay Verma:* Thank you, Rajesh. But training has certain barriers to it. They are…..

### 6.6 BARRIERS TO AN EFFECTIVE TRAINING PROGRAMME

There are several barriers to an effective training programme. Following are the major barriers

- **Lack of commitment from Management**

  Most companies are reluctant to spend money on training for their employees. They tend to disregard the importance of training or else they concentrate training programmes to the managers only. But in today's highly competitive world, it is crucial that everyone is up-to-date about the changes in technology and production process. A highly trained worker has the ability to solve problems and implement initiatives which could lead to many cost benefits for the company.

- **Inadequate spending on training**

  Due to lack of commitment from management, many companies do not allocate adequate amount of their budget or spending on training. Also, during financial crisis the first item that is reduced or cut is the budget allocated to training.

- **Poaching of Trained workers**

  A trained employee is more in demand than an untrained employee. Many companies poach on their competitors' well trained employees. This is done as these companies do not have to incur costs on re-training these employees. Such situations are very common in the Information
Technology field. Hence, organizations before sending their employees for training insist that the employees sign a bond of tenure. This is especially true in cases where the training is of a high quality or if the training is to be provided in foreign countries.

6.7 SUMMARY

Training and development refers to the imparting of specific skills, abilities and knowledge to an employee. An organization follows a process for training and development which involves assessment of training needs, deriving objectives of the training, designing the training programme, implementing the training programme and finally, the evaluation of the training programme. There are many methods by which training can be conducted. These can be categorized into on-the-job and off-the-job training methods. Job instruction, internship, apprenticeship, coaching and job rotation are some of the examples of on-the-job training. Lectures, audio-visuals, sensitivity training, management games and computer assisted instruction are some of the examples of off-the-job training. Improved profitability and the job knowledge and skills at all levels of the organization are some of the benefits of training. Evaluation of a training programme is as important as the training itself. It ensures that the training provided contributes to the growth of an organization. But there are certain factors like lack of commitment from the management and poaching of trained workers, which act as barriers to an effective training programme.

6.8 SELF-ASSESSMENT QUESTIONS

1. What is training and development? What are the benefits of training?
2. Explain the process of training and development.
3. Describe in detail the different methods used in training and development.
4. What are the barriers to an effective training programme?
Related Reading : Let's Learn

(Courtesy - Priya C. Nair, The Times of India - Ascent)

Though learning never stops, it is imperative to innovate the process of learning, from time to time. Today, firms are devising innovative teaching (read: training) methods to hone employee skills. This article showcases a few such fun initiatives that have given the terms 'teaching' and 'learning' a new meaning.

The very mention of the word 'teaching' (read: training) brings to mind the memories of classroom, lectures, textbooks, power point presentation, etc. But this traditional concept is giving way to e-learning, virtual classrooms, experiential learning, etc. Corporates are devising innovative training tools, modified training modules and strategies at par with changes in the business and market situation to make training programmes as exciting as possible for their employees and to impart newer learnings.

According to Tapan Mitra, chief, human resources, Apollo Tyres Ltd, any form of training, which is non-classroom-based are tailored to cater to specific kinds of employees and are primarily enhances one's soft skills. They save time, foster higher interactivity and team work, enhance team spirit, increase employee motivation and propagate instant learning. "In experiential training programmes, the participants are taken to an outdoor location where they stay in tents for a few days and participate in adventure activities such as rappelling, rock-climbing, raft-making and river-crossing. This ensures that the participants work together in tandem towards a common goal. This enables them to appreciate the importance of communication, leadership, teamwork, planning and delegation. Faced with challenging situations, they learn important lessons on conflict resolution, effective communication, leadership skills, planning and teamwork," explains Sriram Rajagopal, VP, HR, Cognizant.

Safe hands are a series of awareness programmes for people at all levels at the ING Vysya Bank. The set of five comic strips communicate a series of messages and finally the employees are asked to choose the right picture against a set of questions. The intent of these questions is to ensure better engagement and ensure interest in reading through the same. "The programme is language neutral, as every one understands the pictorial language. This proves that learning need not always take place within the
four walls of a training hall; self-study too is possible," says J M Prasad, chief of HR, ING Vysya Bank.

At Apollo Tyres Ltd, Cafe Lite programme is a three-hour workshop which extensively uses audio-visual tools for specific behavioural competency enhancement of employees across all levels. "There is no hierarchial structure involved in these trainings, as people from higher (director/head) level to the lowest (executive) undertake the training together. There are video-assisted workshops, which ensure deeper involvement of the trainees, apart from making the learning process more impactful. The videos are generally a mix of real-life scenarios and dramatised role-plays. Skills like positive attitude, team building, personal effectiveness, time management, negotiation skills, leadership skills, planning and analysis, etc are imparted through this programme," informs Mitra.

"Every month, a group of employees create a presentation on a topic they feel is valuable for the entire organisation (for example: negotiation skills, effective selling, time management, etc). This method gives more inclusiveness to the training process by getting employees to create the training materials, analyse cost effectiveness since the dissemination is through intranet and also, this method fosters 'anytime learning' as the audience is scattered," says Dr Sandeep Krishnan, VR-HR and corporate affairs, Acropetal Technologies. Sobha Developers has a platform called; 'Idea Space' through which any employee can make suggestions related to his/her work or other functional areas on the intranet. These suggestions are evaluated by the committee and those with a lucrative value are segregated. Employees, whose ideas are accepted, are rewarded on the 'Innovation Day' of the company. "Apart from skill enhancement, initiatives like these facilitate better team-building, 360 degree analysis and encourage cross-functional group activities that lead to higher productivity. When we learn as we have fun, our ability to retain the learning is far higher," concludes Mitra.
REFERENCE MATERIAL
Click on the links below to view additional reference material for this chapter

Summary

PPT

MCQ

Video 1

Video 2

Video 3
OBJECTIVES:

After completing this chapter, you should be able to understand:

• What is Performance Appraisal?

• Importance of performance appraisal

• How performance appraisal is conducted in an organisation.

• Different methods of performance appraisal.

• Problems faced in performance appraisal.
The story continues……..

It was the month of November and the October heat was on its way out. As Ajay Verma made his way to the factory at Ghansoli, he felt a sense of peace descend on him. He turned his gaze to Rajesh, his driver and asked him -

Ajay Verma: How long has it been since you started your job with us ?

Rajesh: Sir, it's been 7 months since I started working.

Ajay Verma: I will have to appraise your performance next month. December is the month when we appraise performances of employees.

Rajesh: What is performance appraisal ?? Why is it done ?

Ajay Verma: Let me explain what a performance appraisal is.
7.1 NATURE OF PERFORMANCE APPRAISAL

Performance appraisal is an objective assessment of an individual's performance against well defined benchmarks. An employee is assessed on several factors like job knowledge, quality and quantity of output, initiatives taken by him, leadership qualities displayed by him, etc. Performance management refers to the entire process of appraising performances, giving feedback to the employees, and offering rewards to them. Earlier, organisations used to focus on an employee's past performance only. But nowadays, organisations focus on the future potential performance of the employee.

7.2 IMPORTANCE OF PERFORMANCE APPRAISAL

Performance appraisals are very useful to both - the employee and the organisation.

**Organisation's point of view**

- Promotions are effected on the basis of an employee's performance and competence.
- Training and development needs of employees are assessed.
- To confirm the services of employees who complete their probationary period satisfactorily.
- To decide upon the pay raise of an employee.
- To determine whether the recruitment, selection and training provided, have been effective or not.
- To let the employees know where their performance stands compared to their peers', department's and organisation's performance.
- To improve communication as the line manager can provide a clear picture to the employee in terms of past performance and future goals.
Employee's point of view

• It provides an employee an insight as to where his performance stands while compared to his peers' and department's performance.

• Feedback given to him by the line manager helps him in improving his behaviour, output and overall performance.

Ajay Verma: I hope you have understood the importance of performance appraisal.

Rajesh: Yes Sir. But what is involved in performance appraisal?

Ajay Verma: Let me explain the process as laid down by an organization and how it is conducted on an annual basis...

7.3 PERFORMANCE APPRAISAL PROCESS

Broadly, Human Resource department in most organizations lay down the following performance appraisal process to be followed. The effectiveness of the performance appraisal system lies in following all the steps laid down. The process is as follows:

1. Objective of appraisal -

The Human Resource department should decide before hand the objectives of the appraisal system. The Human Resource department should decide whether the appraisals will be used to improve the performance of poor performers or whether it will be used to lay off poor performers. It also has to decide whether the appraisal system will be used for effecting promotions and transfers, for assessing training needs or for pay increases.

2. Establish Job Expectations -

The Human Resource manager or the immediate supervisor should inform the employee what is expected of him/her on the job. An employee should not start a job until he fully understands what the expectations of the superiors are. Normally, the job expectations are laid down in the job description. The Human Resource manager should ensure that there is alignment in the understanding of the job description in the minds of the employee as well as his immediate supervisor.
3. Design appraisal programme -

After laying down the objectives of the appraisal system and ensuring that the job expectations are correctly understood by the employee and his immediate supervisor, the Human Resource department has to decide whose performance is to be assessed, whether the immediate supervisors/managers or clients or subordinates will rate the performance, what should be the parameters of performance against which the employee will be appraised, when the performance should be evaluated and what will be the methods that will be used for performance appraisal. The Human Resource department has also to decide whether the performance will be assessed in terms of quantity/quality/timeliness of output, job knowledge, leadership abilities displayed, versatility, and team spirit, congruence of the individual goals with the organizational goals or an employee's future potential to perform the job.

4. Appraise the performance -

The Human Resource department has to ensure that the performance appraisal is done for all the deserving employees in a timely manner. Most of the times, performance appraisals of employees are conducted by the immediate supervisors and it is difficult to conduct appraisals when deadlines are to be met in the day-to-day functioning of a department. It becomes the responsibility of the Human Resource department to see to it that the performance appraisal is conducted and finished in the specified time period.

5. Archiving/storing performance appraisal data -

Organizations need to archive or store the performance appraisal data so that at any point in the future, the information can be retrieved and used. After the performance appraisal is conducted, the appraisal data is archived/stored for future use. Issues like pay hikes, promotions, training assessment, confirmation of probationary services, etc are decided on the basis of the appraisal data. Appraisal data such as the rating given to the employee, the comments of the superiors, the training needs identified and such like are stored for future use.
Activity A

What is performance appraisal? Why is performance appraisal conducted? Describe the performance appraisal process.

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7.4 ANNUAL PERFORMANCE APPRAISAL CYCLE

The annual performance appraisal cycle involves the following steps:

• Self appraisal.

• Preparation for the Performance Review.

• Performance Review - The Meeting.

• Completion of a Performance Appraisal Form.

SELF APPRAISAL

Self appraisal is an important part of the Performance Appraisal process where the employee himself gives the feedback or his views and points regarding his own performance. Usually this is done with the help of a self appraisal form where the employee rates himself on various parameters. The employee has to be honest and objective while performing self appraisal. Self appraisal ideally includes the accomplishments, the goals achieved, the failures, and the personal growth (i.e. new skills acquired, preparation for the future etc.), the obstacles faced during the period, the efforts for removing them, the suggestions, and the areas of training and development felt by the employee.
PREPARATION FOR THE PERFORMANCE REVIEW

The performance review meeting should not be strictly formal nor should it be completely informal in nature. Ideally, the review meeting should be structured, semi-formal meeting which needs prior preparation by the appraiser as well as the employee for it to be effective.

The appraiser has to prepare on the following points before the meeting:

• Inform the concerned employees the date, time and place for the review meeting well in advance.

• Review and be prepared with each and every employee's job description, performance standards, planned performance goals, performance measures collected throughout the time period, the critical incidents details and past appraisals of the employees.

• Provide the employee a copy of the appraisal form.

• The appraiser needs to completely understand the standards for the employees at same level, to maintain the consistency in the process.

• The feedback should be prepared in quantifiable measures where ever possible.

• The appraiser should be familiar with the performance review form and the details.

• The appraiser should collect as many evidences to support his/her point as possible like the monthly, quarterly progress reports.

On the part of the employee, he should be prepared with his/her accomplishments, initiatives taken, any cost benefits achieved by him, situations where he has displayed leadership qualities, extra curricular activities undertaken by him, etc. The employee should ensure that this data is quantifiable terms.

The employee and the appraiser both should be prepared to discuss and figure out the future goals and training needs. They should be mentally prepared for constructive feedback.
PERFORMANCE REVIEW - THE MEETING

Today, performance review meetings are regarded as conversation with a purpose. They are considered extremely important for the development and health of the organization. The purpose of the performance review meetings is to reach mutually agreed conclusions about the development of the individual and his performance and if applicable, any areas for improvement, including how such improvements are to be achieved. It can be used to motivate employees to perform better in future or reinforce the current desirable behaviour. It also should enable the employees to engage in a dialogue and get the support of the manager about the individual's performance and development.

Review discussion meetings ideally include the following:

• Review of progress on tasks and activities in relation to the employee's performance plan,

• The developmental initiatives taken by the employee himself and those planned by the management for the employee.

• Identification of variances in terms of delays, requisite quality and shortfall in help planned for the employee, if any

• Analyzing the causes of the delay, the problems faced and the solutions adopted.

• Preparation of action steps for solving identified problems and contingency plans for anticipated problems.

COMPLETION OF A PERFORMANCE APPRAISAL FORM

Performance appraisal form provides the basis for the performance review, providing the feedback to the employees and the final rating of the employee. It also facilitates various other HR decisions and career development plans and decisions of the employees. Therefore, performance appraisal form should be filled with utmost care and objectivity. Clear and unambiguous description of the employee performance should be given in terms of average, above average, good and excellent performance. The final rating should be mentioned. The performance appraisal form should be approved or signed off by the employee as well as his immediate supervisor. This is done so that in future there is no ambiguity by any concerned party.
Activity B

Explain the annual performance appraisal cycle.

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Ajay Verma: Now that I have explained the process, let me describe the methods.

Rajesh: That's wonderful Sir.
7.5 CURRENT METHODS OF PERFORMANCE APPRAISAL

RATING SCALES

This is the most popular technique used for appraising the performance of employees. Mostly, any type of job can be evaluated by using the rating scale. The only necessity is that the job-performance criteria should be changed. A rating scale looks like the following:

<table>
<thead>
<tr>
<th>Job-Performance Criteria</th>
<th>Poor 1</th>
<th>Fair 2</th>
<th>Average 3</th>
<th>Good 4</th>
<th>Excellent 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>2</td>
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<tr>
<td>6</td>
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</tr>
<tr>
<td>Total</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total Score</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Performance of the employees is rated on a scale ranging from poor to excellent against the various job-performance criteria specified. Rating scales are very easy to use and are costeffective. A large number of employees, especially in a factory, can be evaluated in a short time and the rater does not need any training. On the other hand, the rater could be biased and thus present a wrong picture of the employee's performance.

CHECKLIST

Under this method a checklist of statements on the traits of the employee and his or her job is prepared in two columns - 'Yes' column and a 'No' column. The rater has to tick whichever column is applicable to the employee. After this is done, the checklist is forwarded to the Human Resource department who do the actual assessment of the employee. Points
are allocated to every single 'Yes' and the total score is arrived at. Following is an example of a checklist:

<table>
<thead>
<tr>
<th></th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Does the employee have adequate knowledge about the job?</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Does the employee comply with the safety regulations?</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Is the employee’s attendance satisfactory?</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Does the employee co-operate with co-workers?</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Does the employee’s work meet the quality standards?</td>
<td></td>
</tr>
</tbody>
</table>

As a checklist is standardized, it is easy to administer. Very little training is required to be provided to the rater. On the other hand, the checklist items can be misinterpreted. It also does not allow the rater to provide any relative feedback on the performance of the employee.

**FORCED DISTRIBUTION/BELL CURVE METHOD**

This method assumes that the general employee performance level conforms to a normal statistical distribution. A normal statistical distribution resembles a bell-shaped curve. It is assumed that 10 per cent are excellent or outstanding, 20 per cent are good, 40 per cent are average or satisfactory, 20 per cent are below average or marginal and 10 per cent are unsatisfactory. The unsatisfactory 10% are asked to improve their performances or leave the organization whereas promotions and pay hikes are given to the excellent 10% and the good 20%.

The benefit of this method is that the rater cannot be lenient in providing his rating to the employee. The disadvantage of this method is the assumption
that the employee performance levels conform to a normal distribution. Also it could be damaging to the morale of the employees in the organization.

**CRITICAL INCIDENTS METHOD**

This method focuses on certain critical behaviours of an employee that make all the difference between effective and non-effective performance of a job. Examples of critical incidents are - in case of a call center employee it could be reducing the call duration from 5 minutes to 3 minutes, in case of a supervisor in a factory it could be increasing the machine utilization in plant by 30% from last year. Critical incidents method is useful as it is based on the actual job behavior. Feedback can be easily provided to the employee. On the other hand, the negative incidents are more noticeable than positive ones. For the supervisor, the recording of incidents might be difficult.

**BEHAVIORALLY ANCHORED RATING SCALES**

Behaviorally Anchored Rating Scales (BARS) is a technique which combines the rating scale and critical incidents method. It consists of predetermined critical areas of job performance or sets of behavioral statements describing important job performance qualities as good or bad (for e.g. the qualities like inter personal relationships, adaptability and reliability, job knowledge etc). These statements are developed from critical incidents. In this method, an employee's actual job behaviour is judged against the desired behaviour by recording and comparing the behaviour with BARS. Developing and practicing BARS requires expert knowledge.

**ESSAY METHOD**

In this method, the rater describes the employee on certain parameters like the rater's overall impression of the employee's performance, whether the employee can be promoted, the jobs that the employee is able to perform, and the training and development required by the employee. This method is used with the other structured methods like rating scale and checklist, as it gives a description of the employee on an individual basis. But it is a time consuming method and it depends on the writing skills of the raters. Also, the appraisal might be influenced with the content rather than the actual performance of the employee.
**RANKING METHOD**

In this method, the superior ranks his subordinates in the order of their merit, starting from the best to the worst. This method just focuses on that one employee is better than the other. It does no question as to 'how' or 'why' this ranking has been arrived at. This helps in deciding the merit-pay increases, promotions and other organizational rewards. However, it suffers from many biases such as the halo effect.

**Activity C**

List down and explain some of the current methods used for performance appraisal.

<table>
<thead>
<tr>
<th>Method 1</th>
<th>Method 2</th>
<th>Method 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social/informal events</td>
<td>Tests and exercises</td>
<td>Assignments</td>
</tr>
</tbody>
</table>

**ASSESSMENT CENTRES**

An assessment centre typically involves the use of methods like social/informal events, tests and exercises, assignments being given to a group of employees to assess their competencies to take higher responsibilities in the future. Generally, employees are given an assignment similar to the job they would be expected to perform if promoted. The trained evaluators observe and evaluate employees as they perform the assigned jobs and are evaluated on job related characteristics. The major competencies that are judged in assessment centres are interpersonal skills, intellectual capability, planning and organizing capabilities, motivation, career orientation etc. assessment centres are also an effective...
way to determine the training and development needs of the targeted employees.

**HUMAN RESOURCE ACCOUNTING METHOD**

Human resources are valuable assets for every organization. Human resource accounting method tries to find the relative worth of these assets in the terms of money. In this method the Performance appraisal of the employees is judged in terms of cost and contribution of the employees. The cost of employees include all the expenses incurred on them like their compensation, recruitment and selection costs, induction and training costs etc whereas their contribution includes the total value added (in monetary terms). The difference between the cost and the contribution will be the performance of the employees. Ideally, the contribution of the employees should be greater than the cost incurred on them.

**360 DEGREE FEEDBACK**

360 degree feedback, also known as 'multi-rater feedback', is the most comprehensive appraisal where the feedback about the employees' performance comes from all the sources that come in contact with the employee on his job. 360 degree respondents for an employee can be his/her peers, managers (i.e. superior), subordinates, team members, customers, suppliers/ vendors - anyone who comes into contact with the employee and can provide valuable insights and information or feedback regarding the "on-the-job" performance of the employee.

360 degree appraisal has four integral components:

1. Self appraisal
2. Superior's appraisal
3. Subordinate's appraisal
4. Peer appraisal.

Self appraisal gives a chance to the employee to look at his/her strengths and weaknesses, his achievements, and judge his own performance. Superior's appraisal forms the traditional part of the 360 degree performance appraisal where the employees' responsibilities and actual performance is rated by the superior. Subordinates appraisal gives a chance to judge the
employee on the parameters like communication and motivating abilities, superior's ability to delegate the work, leadership qualities etc. Also known as internal customers, the correct feedback given by peers can help to find employees' abilities to work in a team, cooperation and sensitivity towards others.

Self assessment is an indispensable part of 360 degree appraisals and therefore 360 degree performance appraisal has high employee involvement and also has the strongest impact on behavior and performance. It provides a "360-degree review" of the employees' performance and is considered to be one of the most credible performance appraisal methods.

360 degree performance appraisal is also a powerful developmental tool because when conducted at regular intervals (say yearly) it helps to keep a track of the changes others' perceptions about the employees. A 360 degree appraisal is generally found more suitable for the managers as it helps to assess their leadership and managing styles. This technique is being effectively used across the globe for performance appraisals. Some of the organizations following it are Wipro, Infosys, and Reliance Industries etc.

**MANAGEMENT BY OBJECTIVES (MBO)**

The concept of 'Management by Objectives' (MBO) was first given by Peter Drucker in 1954. It can be defined as a process whereby the employees and the superiors come together to identify common goals, the employees set their goals to be achieved, the standards to be taken as the criteria for measurement of their performance and contribution and deciding the course of action to be followed. The essence of MBO is participative goal setting, choosing course of actions and decision making. An important part of the MBO is the measurement and the comparison of the employee's actual performance with the standards set. Ideally, when employees themselves have been involved with the goal setting and the choosing the course of action to be followed by them, they are more likely to fulfill their responsibilities.

**THE MBO PROCESS**

The principle behind Management by Objectives (MBO) is to create empowered employees who have clarity of the roles and responsibilities expected from them, understand their objectives to be achieved and thus help in the achievement of organizational as well as personal goals.
Some of the important features and advantages of MBO are:

- Clarity of goals - With MBO, came the concept of SMART goals i.e. goals that are:

  Specific

  Measurable

  Achievable

  Realistic, and

  Time bound.

  The goals thus set are clear, motivating and there is a linkage between organizational goals and performance targets of the employees.
• The focus is on future rather than on past. Goals and standards are set for the performance for the future with periodic reviews and feedback.

• Motivation - Involving employees in the whole process of goal setting and increasing employee empowerment increases employee job satisfaction and commitment.

• Better communication and Coordination - Frequent reviews and interactions between superiors and subordinates helps to maintain harmonious relationships within the enterprise and also solve many problems faced during the period.

TEAM PERFORMANCE APPRAISAL

Today, teams are becoming very common in companies. Most of the performance appraisal techniques are formulated with individuals in mind i.e. to measure and rate the performance of the individual employee. Therefore, with the number of teams increasing in the organisations, it becomes difficult to measure and appraise the performance of the team. The question is how to separate the performance of the team from the performance of the employees. A solution to this problem that is being adopted by the companies is to measure both the individual and the team performance. Sometimes, team based objectives are also included in the individual performance plans

RANK AND YANK STRATEGY

Also known as the "Up or out policy", the rank and yank strategy refers to the performance appraisal model in which best-to-worst ranking methods are used to identify and separate the poor performers from the good performers. Then the action plans and the improvement opportunities of the poor performers are discussed and they are given to improve their performance in a given time period, after which the appropriate HR decisions are taken.
Activity D

What are the methods that will be used in future for appraising the performance of its employees?

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Ajay Verma: We do face some problems in performance appraisal.

Rajesh: What are the problems?

Ajay Verma: The problems that we face are several but every problem has its solution.

7.7 PROBLEMS FACED IN PERFORMANCE APPRAISAL

Performance appraisals are subject to many rating errors. These could be due to errors in the rater's observations and judgement. These can seriously affect the assessment results.

The most common errors are listed below:

1. Halo effect

This takes place when only one aspect of the individual's performance influences the evaluation of the entire performance of the individual. For example, the rater could be influenced by the employee who works late constantly and rates the employee as highly productive employee. It may not
be the true picture. Similarly, an attractive or popular employee might be given a high overall rating.

2. **Rater effect**

This includes favouritism, stereotyping and hostility. The rater gives excessively high or low scores to certain individuals or groups on the basis of the rater's attitude towards the employee and not on the actual performance.

3. **Initial efforts and Recent efforts effects**

The rater is influenced by the behaviour/performance shown by the employee during the early stages of the review period (initial efforts), or by the behaviour/performance shown by the employee near the end of the review period (recent efforts). The rater has to take the composite performance of the employee over the entire review period.

4. **Past spillover effect**

The rater is influenced by the earlier performance ratings, good or bad, and rates the employee according to the past ratings rather than taking into account the current performance. This is unjustified as the current performance does not deserve the rating of the earlier good or bad ratings.

5. **Status effect**

The rater holds the view that the employee's job is of a high level and hence over-rates the performance of the employee and where he considers the job is of a low level, he underrates the performance of the employee.

6. **Leniency or severity**

Raters are lenient to the employees as they feel that the rating given by them might be a poor reflection on them. They might also feel that the relation between them and their subordinates will be affected. They might also feel that if they are lenient in their subordinates' rating, the subordinates might get promoted, which will increase their own standing. The rater might also be severe in the rating provided as they may be unduly critical of the employee's performance.

7. **Tendency to play it safe**
The raters are unsure as to how the employee should be rated and hence they tend to play it safe and will rate the employee as 'average' or 'satisfactory'. This makes it difficult to distinguish excellent performers and poor performers, which is not advantageous to the organization.

Such problems can be solved by the Human Resource department by providing training, before the performance review cycle is conducted, to the managers and supervisors who conduct performance appraisals. They are provided training on the following aspects:

- Methods, techniques and guidelines for setting goals and objectives.
- How to evaluate the performance and rate the employees.
- Standards for performance documentation.
- How to complete a performance appraisal form.
- How to maintain objectivity in the appraisal.
- Questioning techniques for appraisals.
- Responding to employee reactions.
- Improves rapport and communication.
- Building morale and motivating employees.
- Observing and measuring performance.
- Tracking results.
- Structuring the interview with the focus on improving performance.
- Feedback techniques (providing constructive feedback).
- How to deal with non-performers and people who refuse to co-operate.
- Post review actions.

The training is given by conducting special workshops by either the in-house trainers or by professional HR consultants, from outside the organisation.
7.8 SUMMARY

Performance appraisal is an objective assessment of an individual's performance against well defined benchmarks. Performance appraisal is useful in determining pay hikes, promotions and in the assessment of training and development needs of the employees. The Human Resource department is instrumental in laying down the performance appraisal process for the entire organization. It is also involved in ensuring that the annual performance appraisal cycle is carried out on a timely basis. There are many methods used for appraising the performance of the employees such as rating scale method, bell curve method, etc. In future, performance appraisals could include the 360 degree feedback method. Although performance appraisal suffers from certain drawbacks like the halo effect, status effect and leniency or severity, these drawbacks can be reduced or eliminated by providing training to the raters.

7.9 SELF-ASSESSMENT QUESTIONS


2. Describe the current methods used for performance appraisal.

3. Explain the annual performance appraisal cycle.

4. What are the methods that will be used in future for appraising the performance of its employees?

5. What are the problems faced while appraising the performance of employees? How are they overcome?
Much like negative criticism, a bad performance review can easily make one feel angry, shocked and disappointed. However, the key lies in taking the criticism in stride and moving ahead to provide better results.

The appraisal day is usually a time which is full of anxiety and nervous energy for the people in the office. In the case where the review is not positive, it can affect the performance of the individual in a negative way, in case it is not dealt with in the proper manner. "It can become very difficult to maintain morale and even more challenging to not harbour feelings of hostility and resentment towards our job and our superiors in case of a negative review. But these are just initial, visceral responses so it's important to realise that negative reviews are only part of your growth process," says Kamlesh Gupta, President-HR, Venus Consultants Ltd.

Shedding some light on the above topic, Gayathri Padmanabhan, a psychologist based in Mumbai says, "When an employee receives a 360 degree negative review it can be very demoralising for him/her. Most of them will perceive it in a way, which speaks of their incapability to handle their job responsibilities. This will lead to a loss of focus from their actual goal because of which it is important to send across the review in a subtle and easy manner."

On the part of the employee, the most important thing that they can do is to have selfconfidence that the negative review is not a means of bringing them down, but a steppingstone to be a better employee. "What you do with the feedback that you receive is up to you. The important thing is that you've really listened to what has been said and given yourself some time to reflect on it. If the feedback is coming from your supervisor, you may have to make changes if you want to do better at your job. But in the end, it's you who determines how you want to approach those changes," says Ganesh Nagadeva, VP-HR, Tricomm India.

In case of a negative feedback, the important thing is that you've really listened to what has been said. The second step is to give yourself some time to reflect on what is said. "Giving yourself time to reflect will help to separate the negative feelings inside of you, so that you
can think clearly," says Gupta.

As experts say that communication is the key to solving all major problems, in this case too it is helpful to communicate clearly with your supervisors as well as colleagues and understand their point of view better. "Don't be shy or embarrassed to ask candid questions. Clarity regarding your role is very important and you don't want to miss any obvious details that will help you in clearing the negative review," says Nagadeva.

"Once you are crystal clear about what's expected of you, set goals for the future and create specific action plans that will help you achieve them. These are known as S.M.A.R.T goals, i.e., Specific, Measurable, Achievable, Realistic and Time-Bound. Keep your boss in the loop as to how you'll go about improving your performance by setting a follow-up meeting," concludes Padmanabhan.
Performance Appraisal

REFERENCE MATERIAL
Click on the links below to view additional reference material for this chapter

Summary

PPT

MCQ

Video 1

Video 2
8

Employee Welfare

OBJECTIVES:

After completing this chapter, you should be able to understand:

• What is employee welfare?

• Importance of employee welfare

• Various benefits provided in an organisation.
STRUCTURE:

8.1 Nature of Employee welfare.

8.2 Importance of employee welfare.

8.3 Types of welfare facilities.

8.4 Safety aspect.

8.5 Summary.

8.6 Self-assessment questions.

The story continues……..

Ajay Verma: So Rajesh, will you be attending our employee welfare workshop?

Rajesh: No Sir, I do not understand why I should attend it.

Ajay Verma: Well, let me tell you what is employee welfare……
8.1 NATURE OF EMPLOYEE WELFARE

Welfare means the physical, mental, moral and emotional well-being of an individual.

Employee or labour welfare, as defined by ILO (International Labour Organisation) is understood to include such services, facilities and amenities as may be established in or in the vicinity of undertakings to enable the persons employed in them to perform their work in healthy, congenial surroundings and to provide them with amenities conducive to good health and high morale.

Employee welfare is concerned with the welfare facilities provided by an organization to its employees as well as the physical, health and safety conditions of the working environment.

8.2 IMPORTANCE OF EMPLOYEE WELFARE

The facilities provided help motivate and retain employees. Most welfare facilities are hygiene factors which create dissatisfaction if not provided. Welfare facilities, besides removing dissatisfaction, help to develop loyalty in the employees towards the organisation.

Welfare may help minimize social evils such as alcoholism, gambling, drug addiction and the like. A worker is likely to fall victim to any of these if he is dissatisfied or frustrated. Welfare facilities tend to make the worker happy, cheerful and confident looking.

Employee welfare improves the image of the organisation as a good employer. This helps the organisation when it wants to recruit. Welfare helps in cutting down labour turnover as a satisfied employee is less likely to leave the organisation.

8.3 TYPES OF WELFARE FACILITIES

Welfare facilities can be broadly classified into two groups

1. Welfare measures inside the work place.
2. Welfare measure outside the work place.
WELFARE MEASURES INSIDE WORK PLACE

Conditions of the work environment:

• Neighbourhood safety and cleanliness. Attention should be paid to the roads leading to the factory or the organization.

• Upkeep of premises which includes the compound wall, lawns, gardens, passages and doors, ceilings, walls and floor maintenance.

• Workshop should be sanitized and clean. The temperature, humidity, ventilation and lighting should be maintained. Dust, smoke, fumes and gases should be eliminated.

• Control of effluents.

• Convenience and comfort during work, that is, the seating arrangements should be conducive to the posture of the employees.

• Distribution of work hours and provision for rest hours, meal times and breaks.

• Maintenance of machines and tools, fencing of machines, providing guards, helmets, aprons, goggles and first-aid equipment.

• Supply of necessary beverages and pills and tablets.

• Notice boards, posters, pictures and slogans which convey necessary organizational and safety information should be prominently displayed.

Conveniences:

• Restrooms, wash basins, bathrooms, provision for spittoons should be arranged.

• There should be a waste disposal system.

• Provision of drinking water or water coolers should be made.

• Canteen services should be provided. Meals should be either provided free or at a subsidized rate.
Workers' Health Services

Some of the health services provided to workers are:

• Factory health centre.
• Dispensary.
• Ambulance.
• Emergency aid.
• Medical examination for workers.
• Health education.
• Health research
• Family planning services.
• Doctor on duty.
• Pre-hiring medical check up for all employees.
• Periodical physical and check up of all employees.
• First aid treatment following an accident. Training in first aid to all employees.
• Treatment of minor complaints such as cough, cold, fever and headaches.
• Control of occupational health hazards.
• Elimination of insects and rodents.
• Psychiatric counseling.

Women and Child Welfare

Some of the facilities that are provided to women:

• Maternity aid, crèche and child care.
• Women's general education.
• Separate lunch rooms, toilets and rest rooms for women.
• Family planning services.

**Workers' recreation**

• Indoor games
• Library
• Internet café

**Economic services**

• Co-operatives.
• Loans and financial grants.
• Saving schemes.
• Budget knowledge.
• Health insurance.
• Employment bureau.
• Transport services.
• Provident fund, gratuity and pension.
• Rewards and incentives.
• Workmen's compensation for injury.
• Family assistance in times of need.

**Labour-Management Participation**

• Formation and working of various committees like works committee, safety committee, canteen committee, etc.
• Consultation in welfare area, in production area, in the area of administration, in the area of public relations.

• Workmen's arbitration council.

• Research bureau.

**Workers' education**

• Circulating library.

• Visual education.

• Literary classes.

• Adult education.

• Social education.

• Daily news review.

• Factory news bulletin.

• Co-operation with workers in education services.

**WELFARE MEASURES OUTSIDE WORK PLACE**

• Housing = quarters for bachelors and family residences.

• Water, sanitation, waste disposal.

• Roads, lighting, parks, playgrounds.

• Schools - nursery, primary, secondary and high school.

• Markets, co-operatives, consumer and credit societies.

• Bank.

• Transport.

• Communication - post, telegraph and telephone.
• care, family visiting.
• Cultural programmes, festival celebrations, study circles.
• Security
• Community leadership development, council of elders, administration of community services and problems.

Activity A
What is employee welfare? State its importance and list down a few of the welfare facilities provided to employees or workers.

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8.4 SAFETY ASPECT
A worker's safety is of main concern to an organization. An organization should take necessary steps in the prevention of accidents. The various steps taken by an organization in the matter of safety are:

• Training in Safety

Systematic training of industrial employees is necessary if they are to do their jobs efficiently and safely. This is an absolute requirement and it should be provided to all employees irrespective of their aptitude and experience they may possess for the jobs to which they are assigned. Training practices in the industry are found to vary with respect to method,
content, quality, quantity and source of instruction.

It is not enough if the workers are trained on the methods of avoiding accidents. They must also be trained on the different ways of minimizing damage, should an accident occur. Additionally, the employees must be given instructions in first-aid procedures, including techniques for resuscitation.

Training for workers working with chemical compounds should include what to do and what not to do in performing the job properly. It should also include thorough instructions on the use of special devices and procedures in case an emergency occurs.

• Physical and Mechanical Conditions

Safety measures should be kept in mind while planning a layout and constructing a building. Workers must be provided with safe tools and equipment to work with. All machinery must be fenced and mechanically and physically unsafe conditions should be eliminated. No new machine should be installed without being sufficiently guarded and fenced.

Protective equipment of good quality and proper size, goggles, gloves, ear muffs, safety belts and shoes and helmets should be supplied to workers, who must be educated to wear them while on duty. Aisles and passages should be free to permit easy movement of workers and materials. Proper facilities should be provided for materials and work-in-progress so as to prevent collision and stumbling and, also to facilitate escape in emergencies.

Periodic inspection should be conducted to ensure safety of workers and machines. Defective tools and equipment must be discarded. Electrical wiring should be checked periodically.

• Role of Management, Unions and Employees

The management should believe in, and have a commitment to safety and safety rules. Strong trade unions can force unwilling managers to undertake
safety measures. Involvement of the employees in implementation of safety programme is necessary. Involvement binds them to participate in the safety programme. Also they understand the reasons for accidents better and can offer effective suggestions to avoid them.

• **Safety Posters and Film Shows**

  Safety posters with illustrations should be put up on the walls in the workplace. Films on how accidents occur, on the consequences of injuries, and the need for safety should be screened for the benefit of the workers. Film shows are more effective than posters because of their tremendous audio-visual impact.

• **Safety week and Awards**

  A safety week should be observed. Safety awards are presented by the national Safety Council every year to industrial establishments which show accident-free operations. Stringent action against non-compliant organisations, also help in improving safety.

• **Safety Database**

  Data relating to accidents should be properly maintained and periodically updated.
8.5 SUMMARY

Welfare means the physical, mental, moral and emotional well-being of an individual. An organization provides many welfare facilities to its employees. Welfare facilities can be classified into welfare facilities inside the workplace and welfare facilities outside the workplace. Employee welfare improves the image of the organisation as a good employer. Safety of the employees is of paramount concern to employees.

8.6 SELF-ASSESSMENT QUESTIONS

1. What do you mean by welfare? What is its importance?
2. What are the welfare facilities provided by an organization?
3. Explain the various safety measures.
Much has been talked and written about workplace bullying but what actually gives rise to it? While some call bullying the younger sibling to violence, others look at it as a violence predictor.

Recently, there has been much discussion about workplace bullying: the overly aggressive behaviour that makes coming to work a dreaded necessity for many employees and one which can lead to violence. "Workplace bullying means any sort of behaviour that is persistently directed towards an employee or group of employees in a manner that undermines their position within the work environment, and in the process affects them psychologically. It can be in the form of aggressive behaviour, verbal abuse, physical abuse, humiliation, job insecurity threats and spreading false rumours," says Vaibhav Mahajan, Manager Human Resource, Neev Group of Companies.

Workplace bullying has always existed but has taken a more aggressive and intense form since last few years. Says Mahajan, "Bullying at the workplace occurs in almost every industry. It is a major concern right from private organisations to government bodies to even educational and medical institutions. Competitive industries like media and creative agencies besides the mushrooming call centres and BPOs face a lot more of work bullying cases as compared to other industries."

According to Dr Anjali Chhabria, psychologist, "There are a variety of reasons why a person may bully another at the workplace. Some of the reasons are:

**Power**

A person may use his/her position of power or physical dominance over those who may be perceived to be weaker or submissive.

**Self-esteem**

Bullies may help put down others to boost their own self-esteem and confidence to help deal with personal feelings of inadequacy.

**Difference**
An individual or group may become a target of bullying as s/he may be perceived by others as being new or different.

**Perceived Threat**

Some people bully others because the other person may be seen as a threat to them personally, or a threat to their position within the workplace.

**Organisational Culture**

The culture of a workplace is the main reason for the occurrence of bullying. When the culture is positive it encourages individuals to adopt appropriate behaviours that encourages respect of others. Conversely, employees may find themselves in a negative culture where inappropriate behaviours and attitudes are promoted or condoned by management and bullying is seen as normal behaviour for the majority of people in the workplace.

Bullying gets easier when there are no proper HR policies and to add to it if there is no constant check by the top management on the same. Workplace bullying could take place due to power disparity, organisational culture and discouragement of employees to openly voice their dissatisfaction or opinions. HR managers should play a crucial role in curbing workplace bullying by encouraging employees to immediately report any sort of repetitive bullying to ensure timely intervention by top management team.

"Organisations need clearly defined policies regarding behavioural code of conduct at the workplace. This coupled with sound organisation values that are well communicated to employees set the framework for expected behaviour and resultant work culture. In case of non-compliance, counseling and coaching should be provided immediately. It is the responsibility of the HR department to ensure that the behavioural code of conduct is implemented stringently across the organisation. They must drive this through the line managers and have a candid and continued dialogue to address bullying related issues, if any. It is also essential that the HR department enables two-way communication and encourages employees' grievances to bring the same to their notice," says Anuraag Maini, Senior VP-HR, DLF Pramerica Life Insurance.

So should the HR have an explicit policy on workplace bullying? What strategies can HR adopt to prevent such behaviours? "Typically, the HR department ensures that the Workplace Standards policy at DLF Pramerica
Life Insurance which refers to general harassment including bullying is communicated in detail to every new employee, at the time of his/her joining. This communication is refreshed at regular intervals. Resolution of conflicts, counseling, giving feedback etc. are other ways by which we contribute towards a safe working environment," adds Maini.

"HR professionals need to have a clear and explicit policy about what is acceptable behaviour and what is not. Potential aggressors are often cranky or aggressive on the job long before they explode and commit acts of violence. HR professionals should identify these potential aggressors during the hiring process and avoid them. We try and get information of the new employees from their previous employer. We also have community programs that offer people training in anger management," adds Mahajan.

Given the sensitivities involved in dealing with workplace bullying, the need of the hour is, to have mature and competent leaders/managers who will be able to spot early signs and nip the issue in the bud.
REFERENCE MATERIAL
Click on the links below to view additional reference material for this chapter

Summary

PPT

MCQ

Video
OBJECTIVES:

After completing this chapter, you should be able to understand:

- Nature and Importance of compensation.
- The various factors affecting compensation.
- The different components of compensation.
STRUCTURE:

9.1 Nature and importance of compensation.
9.2 Factors influencing compensation.
9.3 Various components of compensation.
9.4 Summary
9.5 Self assessment questions

The story continues……..

After a few hours, Ajay Verma returns to the car.

Ajay Verma: So Rajesh, your appraisal is over. Has the HR department given you a letter giving details of your new compensation?

Rajesh: No, Sir. I have not received any letter from HR. And, what is this new term - compensation?? I only receive my monthly salary.

Ajay Verma: Well Rajesh, your monthly salary is a part of your compensation. Let me explain to you what compensation means.
9.1 NATURE AND IMPORTANCE OF COMPENSATION

Compensation is the total reward received by an employee in exchange for services performed for an organization. It can include both direct pay (salary and wages) and indirect pay (benefits programs). In order to provide additional incentive to attract quality employees, as well as keep competent workers who are already associated with the company, many businesses offer a compensation package that is much more detailed than simple salary or wages. The compensation package may include a number of other benefits, including insurance, employee discounts, extended leaves, and retirement programs. Compensation packages vary greatly from one industry type to the next. Yet, all of them address the matter of consistent compensation through the process of a wage or salary. Wage and salary requirements are usually agreed upon before the employee begins work, and becomes the foundation for the compensation package. The details of the wage or salary may also include guarantee of increases from time to time, based on either the cost of living or the job performance of the individual.

Along with basic compensation, there is usually some sort of process that guarantees pay during leave. Another basic aspect of the compensation package is often some form of health insurance. This may be a benefit that is extended to the employee and is paid for by the company, or the company may choose to pass part of the cost along to the employee in the form of a payroll deduction.

Other types of benefits may also be included in a compensation package. For instance, if the employer manufactures a good or service, such as home textiles, the employee may receive a discount for purchasing finished goods from company operated stores. A compensation package may include guarantee for reimbursement of any out of pocket costs the employee incurs while performing his or her job responsibilities.

Retirement plans may vary from simple accruals of matched deductions from the weekly or monthly paycheck to mutual funds. The range of benefits that may be included in a compensation package can include the use of a company car, cell phone service, and office equipment for working at home, or any other type of benefit that the company wishes to extend.
A fair compensation system is a must for every business organization. The fair compensation system will help in the following:

• An ideal compensation system will have positive impact on the efficiency and results produced by employees. It will encourage the employees to perform better and achieve the standards fixed.

• It will enhance the process of job evaluation. It will also help in setting up an ideal job evaluation and the set standards would be more realistic and achievable.

• It should not result in exploitation of workers.

• It will raise the morale, efficiency and cooperation among the workers. It, being just and fair would provide satisfaction to the workers.

• Such system would help management in complying with the various labor acts.

• Such system should also solve disputes between the employee union and management.

• It should motivate and encouragement those who perform better and should provide opportunities for those who wish to excel.

• Sound Compensation/Reward System brings peace in the relationship of employer and employees.

• It aims at creating a healthy competition among them and encourages employees to work hard and efficiently.

• The system provides growth and advancement opportunities to the deserving employees.

• The perfect compensation system provides platform for happy and satisfied workforce. This minimizes the labour turnover. The organization enjoys the stability.

• The organization is able to retain the best talent by providing them adequate compensation thereby stopping them from switching over to another job.
• The business organization can think of expansion and growth if it has the support of skillful, talented and happy workforce.

• The sound compensation system is hallmark of organization's success and prosperity. The success and stability of organization is measured with pay-package it provides to its employees.

Activity A

What is compensation? Describe its importance.

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Ajay Verma: I hope you have now understood what compensation means and what its importance is.

Rajesh: Yes, Sir.

Ajay Verma: Let me now explain to you the various factors that affect compensation.
9.2 FACTORS AFFECTING COMPENSATION

A number of factors influence the compensation payable to employees. They can be categorized into external and internal factors.

EXTERNAL FACTORS

• Labour Market
  Demand for and supply of labour influence wage and salary fixation. A low wage or salary may be fixed when the supply of labour exceeds the demand for labour. A higher salary or wage will have to be paid when the demand exceeds supply. Nowadays, the trend is that there is more supply of unskilled labour than skilled labour. Hence, organizations pay high compensation to skilled labour to attract and retain them. At the same time, unskilled labour has to be paid a justifiable wage or salary.

• Labour Unions
  The presence or absence of labour unions often determines the amount of wages paid to employees. Employers in non-unionised factories enjoy the freedom to fix wages and salaries. Labour unions pressurize organizations to pay employees the legal minimum wage and, collectively they bargain for increase in the wages of the workers. Thus, labour unions determine and revise the pay scales of the workers in the organization.

• Cost of living
  This is a very important factor especially during times of rising prices. Cost of living reduces the real wages of the workers. Care should be taken to ensure that while fixing the wages, the cost of living is considered. A rise in the cost of living is sought to be compensated by payment of dearness allowance.

• Labour Laws
  Labour laws have been passed to ensure that the workers or employees are not exploited by the organizations, and that they are paid their just dues. Labour laws like the Payment of Wages Act 1936, the Minimum Wages Act 1948, the Payment of Bonus Act 1965, Equal Remuneration Act 1976 and the Payment of Gratuity Act 1972, all ensure that the payment of wages and other dues is paid by the organization to the workers. These acts safeguard the rights of the workers or the employees.
• **Society**
  Compensation or remuneration paid to employees is reflected in the prices fixed by an organization for its goods and services. As the general public consumes the products and services of the organization, they are interested in the compensation decisions of the organization.

• **Economic conditions**
  The state of the economy also plays a role in the determination and fixation of wage and salary. When the economy is in a recession, organizations cut down on the compensations of its employees. Whereas, when the economy is in a boom period or prosperity period, the organization will pay handsome compensations to its workers.

**INTERNAL FACTORS**

• **Business Strategy**
  The overall strategy which a company follows determines the compensation that it pays to its employees. If the strategy of the company is to achieve growth rapidly, the compensation will be higher than what its competitors may be paying. If the strategy is to maintain the current savings or to reduce costs, then the company will pay average or below average levels of compensation.

• **Performance Appraisal**
  Performance appraisal helps award pay increases to employees who show improved performance. If the organization wants to retain its key and high performing employees, then it will pay a handsome compensation package to them. If the organization wants to cut down its staff and reduce the number of poor or unsatisfactory employees, it will not increase their compensation package thus forcing these employees to quit.

• **Employee**
  Employee-related factors like performance, seniority, experience and potential determine an employee's compensation. An employee's performance is always rewarded with an increase in the pay. Sometimes, organizations pay on the basis of the seniority of the employee. This is especially true in case of the compensation paid to the organization's top management.
Activity B
Describe the various factors that affect compensation.

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Rajesh: Thank you, Sir. But I still do not understand the relation between salary and compensation...

Ajay Verma: Well Rajesh, salary is one component of compensation. Let me explain to you the various components of compensation package.

9.3 VARIOUS COMPONENTS OF COMPENSATION

The various components of compensation are:

• WAGES

Wages refer to the hourly rates of pay paid to workers. Wages are subject to annual increments and they differ from employee to employee. They also depend on the nature of job, type of industry, seniority and merit. Based on the needs of the workers, capacity of the organization to pay and the general economic conditions prevailing, wages can be classified into three categories - minimum wage, fair wage, and living wage.

Minimum wage is usually fixed by labour laws and it is the one which provides for the basic living conditions. It also ensures that the wage is sufficient enough for the worker to some education, medical requirements
and amenities.

Fair wage is equal to the wage rate prevailing in either the same trade or similar kind of work. It is fixed only by comparison with an accepted standard rate and such standard rates are fixed where the workers are able to bargain with the employers or organizations.

Living wage is described as the wage which enables the worker to provide for himself and his family with the basic requirements like food, clothing and shelter. It also ensures that the wage is sufficient enough for the worker to provide education for his children, medical facilities and insurance for his family. A living wage is fixed by taking into consideration the general economic conditions of a country. Hence, the living wage is different from country to country. In developed countries like U.S.A. and U.K., the living wage is the minimum wage.

• **SALARY**

Salary represents the monthly rate of pay paid to employees. Salaries are revised on an annual basis and are subject to annual increments. Salaries they differ from employee to employee. It depends on number of factors like the nature of job and the type of industry. Salary is normally paid to executives based on what they can do and their performance. It is not paid on the basis of the demands of the job. It is also subject to deductions at source. In order to overcome the shortfall, the executives are paid hefty incentives and attractive perks.

• **BONUS**

Bonus is usually short-term incentive (annual) and is based on performance. For this purpose, the definition of performance is very crucial. In some organizations, the annual bonus is tied to the share price of the return on investment. In other organizations, bonus is decided by the Board of Directors and the Chief Executive Officer. In some organizations, bonus is given after certain established targets have been achieved. Organizations give out a bigger amount of bonus to its executives as the executives have much more opportunity to influence organizational success than non-managerial staff.
• COMMISSION

Commission is normally paid to the sales people or the marketing department. It is paid upon the achievement of certain established sales targets. The commission is normally calculated as a certain percentage of sales.

For example, the sales force of an organization may have a target to achieve sales of Rs.1 lakh in a month. If they achieve this target, then they are promised a commission of 15% of the sales.

Commissions are paid so as to ensure that the morale of the sales people is high and that they are motivated to generate more revenue for the organization. Increase in sales mostly leads to increase in profits and profits are crucial to the survival and growth of an organization.

• STOCK OPTIONS

Stock options are long-term benefits offered to executives. Companies allow executives to purchase their shares at fixed prices. Stock options are valuable as long as the price of share keeps increasing. Stock options are a form of profit sharing that links the executive's financial success to that of the shareholders. Stock options are awarded to the top and middle level management, as a reward for their high performance. Stock options can also be used as a retention strategy. For example, if an employee completes certain years of work experience with an organization and is a key performer, he is awarded the option to buy the stocks of the company.

• PERQUISITES

Perquisites or perks constitute a major source of income for executives. Typically, perks to executives include the following:

1) Membership in clubs.

2) Well furnished houses.

3) Medical expense reimbursement.

4) Reimbursement of servant's salary, telephone bills, electricity and gas bills, and petrol and fuel expenses.
5) A company provided car.
6) Entertainment allowance.
7) Special dining privileges.
8) Reimbursement of credit card bills and mobile phone bills.
9) Reimbursement for children's education (school or college) expenses.
10) Professional meetings and conferences.
11) Holiday homes.
12) Spouse travel.
13) House rent allowance.
14) Conveyance allowance.

• **LIFE INSURANCE**

Most organizations provide life insurance plans to its employees. The organizations take these policies on a group basis as the insurance companies accept all the employees regardless of the health or physical condition. The health and physical conditions of the employees are tested by the organization when they are selected to join the organization.

Mostly, the organization pays the base premium, which usually provides life insurance and the employee pays for any additional coverage. Sometimes, the cost of the base premium is split between the organization and the employee on an equal basis or any other basis laid down by the organization.

• **MEDICAL INSURANCE**

Health and hospitalization is a big concern for many people and it plays a major role in their choice of employer, as medical insurance is very expensive. Most organizations, therefore offer their employees some type of medical and hospitalization insurance.
Most medical insurance plans provide at least basic hospitalization, surgical and medical insurance for all eligible employees at group rates. Most plans pay for hospital room and board, surgery charges, and medical expenses including doctor's visits to the hospital. Some organizations also pay for major medical expenses resulting from longterm or serious illnesses.

Mostly, organizations also pay for the medical insurance premiums of the employee's dependents - parents, spouse and children.

Sometimes, organizations also sponsor insurance plans that help cover health related expenses like eye care and dental services. Many organizations offer membership in a health maintenance organization as a hospital/medical option. The health maintenance organization is a medical organization consisting of specialists like surgeons, psychiatrists, etc and operating out of a health care centre.

• PENSION

It is a fixed sum received by the employees when they reach a pre-determined retirement age or when they can no longer work due to disability. Pension plans can be either contributory or non-contributory. Contributory pension plans are those plans where the employee and the employer both contribute a certain amount on a monthly basis. Noncontributory pension plans are those plans where only the employer makes the contribution to the pension plan. Organisations enjoy tax benefits when they contribute to the pension plans.

• GRATUITY

It is a lump sum amount paid by the organization to the employee when the employee retires from the service. It is calculated as the basic salary for each completed year of service.

For example, if an employee at the time of retirement has a basic salary of Rs.15,000/- and he has completed 10 years of service in the organization, then the gratuity that will be payable by the organization will be Rs. 1,50,000/-

Gratuity will be paid only when both the organization and the employee are
in agreement over the expiry of the contract of the employee. It will not be paid if the employee has left the organization over a serious fault committed by him.

• **SUPPLEMENTAL PAY LEAVE**

Supplemental pay leave refers to the pay for time not worked. It includes holidays, vacations, sick leave, maternity leave and paternity leave.

• **VACATIONS AND HOLIDAYS**

The number of paid employee vacation days is different in various organizations. Normally organizations provide 28 to 30 days of vacation on an annual basis. But due to work pressures, sometimes this annual vacation is not availed by the employees for years. At the end of a year, employees encash (in money) the pending days of vacation. Nowadays, banks and outsourcing companies follow strict norms and instruct their employees to avail a compulsory vacation of 10 days, on an annual basis. This is a statutory requirement for SOXA audit.

• **SICK LEAVE**

Sick leave provides pay to employees when they out of work due to illness. Most sick leave policies grant full pay for a specified number of sick days - usually up to about 12 days per year. The sick days, usually accumulate at the rate of one day per month of service. Sick leave pay causes difficulty for many employers. The problem is that while many employees use their sick days only when they are genuinely sick, others use sick leave as extensions to vacations, whether they are sick or not. To reduce this problem, many employers, at the end of the year, pay their employees a daily equivalent sum for each sick leave day not used.

• **MATERNITY LEAVE**

About half of the employees are women and most of them will become pregnant during their work lives. Most organizations provide either 90 days or 180 days of maternity leave to the women employees. In such cases, the women employees are paid their full respective salaries and all the other benefits due to them. Also, organizations pay for the hospital expenses incurred by the women employees at the time of delivery.
• PATERNITY LEAVE

This is a recent trend noticed in many organizations. This leave is granted to the father when his baby is born. The organization usually provides 3 days of leave to the father. The organization pays the salary and all the benefits of the father during this time.

9.4 SUMMARY

Compensation is the total reward received by an employee in exchange for services performed for an organization. A sound compensation system is a mark of an organization's success and prosperity. Compensation is affected by many internal factors such as business strategy and employee, and by external factors such as economic conditions, society, labour unions and labour laws. Wages, salary, bonus, pensions are a few components of the compensation package which an organization provides to its employees.

9.5 SELF-ASSESSMENT QUESTIONS

1. Explain the term compensation. What is the importance of a fair compensation system in an organization?

2. Describe the various internal and external factors that affect compensation.

3. Explain the various components of compensation.
In today’s corporate scenario, it has become imperative for working professionals to hone their negotiation skills, in order to derive maximum career benefits.

We all negotiate in our daily lives, don't we? We demand discounts during our shopping expeditions, argue with the vegetable vendor hoping he would reduce costs, try politely persuading the client before closing a deal, convince our bosses to give a decent hike in the next appraisal season and even negotiate with little troublesome children these days by 'bribing' them with chocolates. Clearly, negotiating today has become an art. Whatever be the reason, experts say that negotiations at work must be considered as a process to find a solution to a problem in a tactful manner.

Let's take the case of salary negotiations. Before going in for a negotiation, it is important for the person to be well-prepared. "He/she must first evaluate his/her worth. If the employee has not added value to the company, then he/she should refrain from the discussion of pay hikes," says Pramath Nath, HR, business partner for Asia, Pacific & Japan, Hewlett-Packard GBS. "The person negotiating for a pay-rise must measure his/her contribution before he/she arrives at suitable figure for pay rise negotiations," adds Pushpendra Mehta, career strategist & CEO, VCherish.com. Adding to it Murli A. Mehta, Director, Inter Gold India P. Ltd says one must do the homework well as to why he/she should get the hike. "Ask yourself the questions your boss could ask you. Envisage the counter arguments and identify and plug those loopholes in your arguments," suggests Murli Mehta.

Apart from preparation, choosing an appropriate time for the discussion is also significant towards making it a fruitful one. Experts say that it is good to fix an appointment with the manager when he/she is free and have the time to hear you. Before getting into the discussion it is a must to have a list of accomplishments he/she had in the previous year to justify the demand. "The best argument in negotiations is triple P - your Powerful Past Performance. Have a brief, well structured report of your achievements with a separate file of cumulative record before you get into the discussion," says Murli Mehta.

The way you present your request before the manager is also important. Experts say that discussions must be in a diplomatic manner and personal
reasons should not be a part of official negotiations. "The person must focus on a win-win relationship with his/her employer. He/she must communicate the contributions and commitment tactfully and effectively," suggests Mehta. Sometimes, it's easy to negotiate and get what you want, but at times, it becomes a difficult task to convince the person on the other side. So, even if the negotiation tactic fails, it is advisable not to get argumentative or aggressive, because it will reflect negatively on you.
The budget has been announced, the financial year is coming to an end but what you are most interested in is the finances in your near future. Is it going to be a hike? Are perks in order? While waiting and wondering is alright to do, a little pro-active approach hurt no one. Looking for a raise and hoping to climb up a notch? Here's what HR has to say about asking for a raise.

Approaching the subject

It's certainly not an easy subject to touch upon whether it's with your HOD (Head of Department) or your HR manager. What's the best way to tackle the situation? How do you plan the interaction in the best possible way? Rajeshwar Tripathi, Executive Vice President - HR, Farm Equipment, Mahindra & Mahindra says, "It's not often that people would apply for a raise, however if they do, it should be considered more as a feedback from them and then process it while formulation of their compensation plan."

There are several ways of applying for a raise and organisations may handle the requests differently. "Individual raise requests are rare and they only happen while hiring or in case the person has quit and we plan to re hire them. It's best to ask and appreciate feedback of the employees and how they perceive their compensation; this is the healthiest form of taking up the subject. HR can then do benchmarking at various levels of performance, the industry paying standards and them arrive on a compensation plan, says Tripathi"

Lastly, it's always better to gather some support for your cause instead of you hooting for yourself all alone. "Share with HOD: Rather than walking straight to the CEO/ HR's cabin, it will be a good idea to first take your HOD in confidence of your intention and once he supports you, there are better chances of you getting the hike when he escalates it to the senior officials. In short, make your plea for raise a very objective, professional and fact based request rather than an overly emotional, impulsive or immature demand, adds Dixit."

Raise Request! The "No-No's"
So you feel you deserve a pay hike but yet you don't know how to go about it. Does it have to be over email or a formal meeting is required? Do you need to follow a procedure? What's the deal? Although it's fair for you to let the HR be aware of your feelings and feedback, you don't want to end up rubbing them the wrong way. "Asking the HOD or HR for a raise on the grounds that you will resign or not multitask without a raise is a bad idea as it most often snubs the HOD in a wrong way. One might get some hike or commitment at that moment but in the long run such employees are replaced easily. Similarly, asking for a raise less than 9-12 month from last increment is not just greedy but against most company rules," says Meghna Dixit, VP & Group Head-HR & OD, Maya Entertainment Limited.

**Ask and you shall receive!**

Plan your meeting and play safe while you want to make that big request. So when is it really OK to ask for a raise? And how do you go about it? "One can ask for a raise in the week after the last big success, breakthrough, and innovation that one brought about and was recognised for by the HOD/HR. The request should sound like a request with all humility and should not be all money based. Rather than asking for a 25% hike, one can say 'I am looking for a 20-30% hike and growth prospects in the company as I feel I am delivering my tasks as expected,'" conclude.
REFERENCE MATERIAL
Click on the links below to view additional reference material for this chapter

Summary
PPT
MCQ
Video
OBJECTIVES:

After completing this chapter, you should be able to understand:

- Nature of Separation
- The different types of separation.
- How to manage separations effectively.
STRUCTURE:

10.1 What is separation?

10.2 Different types of separation.

10.3 How to manage separation effectively.

10.4 Summary

10.5 Self assessment questions.

The story continues……..

On the next trip to the factory, Ajay Verma notices that Rajesh, who was normally cheerful, was looking sad and forlorn.

_Ajay Verma_: What is the matter, Rajesh? Why the sad face?

_Rajesh_: What to tell you, Sir? I just joined the organization and now I hear that one of my friends, Vasu, is leaving the organization.

_Ajay Verma_: But then, Rajesh, this is a part of life and it is a part of the HR cycle. Let me explain to you. Perhaps, it will help you to handle Separation.
10.1 WHAT IS SEPARATION?

Separation occurs when an employee leaves the organization. Separations can be either voluntary or involuntary. In voluntary separations, the initiation for separation is taken by the employee himself. In involuntary separations, the initiation for separation is taken by the employer. In involuntary separations, the employee harbours feelings of injustice and may seek legal protection to undo it.

Organizations become leaner, there is saving in the compensation amounts, and new entrants hired to fill the vacant jobs bring in new ideas and experience along with them. Turnover can also help infuse greater diversity in the workforce. On the other hand, turnover disrupts employee morale. Also, instead of reducing costs, it may add to the cost. Costs of turnover include retirement costs, and hiring and training costs of new employees.

10.2 DIFFERENT TYPES OF SEPARATION

Voluntary separations

Voluntary separations occur when the employee decides to terminate his relationship with the organization. Voluntary separations can be further classified into resignations and retirements.

• Resignations / Quits

An employee resigns or decides to quit when his level of dissatisfaction with the present job is high or when he has secured a better job in another organization or for some personal reasons or when the employee suffers from ill health. The reasons for dissatisfaction could be the job itself or supervision, compensation, advancement opportunities, spouse relocation or some other reason. During times of prosperity or economic boom, jobs are easily available to competent people.

• Retirements

Retirements occur when employees reach the end of their careers. Retirement differs from resignations. When the employee retires and leaves the organization he avails of several benefits like gratuity, pension, etc.
Such a privilege is denied to the employee who quits. Also, retirements occur at the end of an employee's career but the resignation can take place at any time. The retirement is amicable and there are no hurt feelings with the employer or the employee. In resignation, there might be hurt feelings either with the employer or the employee.

**Involuntary separations**

Employers resort to terminate employment contract with employees for the following reasons:

- Organization is passing through tough times financially and is unable to maintain the existing labour
- Employee shows deviant behaviour, which affects the environment in an organization or which is against the organization culture/policies.
- Faulty hiring resulting in mismatch between job and employee fit.

Discharges, layoffs, retrenchment, voluntary retirement scheme (VRS) and rightsizing are the common methods of involuntary separation.

**Discharge or Dismissal**

Discharge takes place when the organization discovers that it is no more desirable to keep an employee any longer. It should be avoided as far as possible because any discharge or termination is a reflection of the company's human resource system. Also, in such a case, the organization has to find a replacement, hire and train the new employee. This involves costs. Also, a terminated or dismissed individual is likely to speak badly about the organization.

The following reasons lead to the dismissal of an employee:

a) Excessive absenteeism.

b) Serious misconduct.

c) Theft of company's property.

d) Espionage.
e) Submitting false qualification statements or the experience certificates at the time of employment.

This method is to be used as a last resort and only after all efforts have been made by the organization to salvage the employee have failed.

• Layoffs

A layoff is a temporary separation of the employee at the request of the employer. Layoff is the failure, refusal or inability of an employer to provide employment to an employee whose name is present on the rolls of the company but who has not been retrenched. A lay-off may be for a definite period. After this definite period ends, the employee will be recalled by the employer for duty. Mostly, this period can extend to any length of time and the employer is unable to estimate when the employees will be recalled. Layoffs could be due to shortage of raw materials, economic recession, accumulation of stocks, or for any other reason.

Industrial disputes Act, 1947 makes it mandatory on the part of the employer to pay compensation for all the days that an employee has been laid off. Compensation must be half of the normal wages the employee would have earned, if he was working.

Basis of the lay-off may be either on merit basis or seniority basis. If it is on the merit basis, then the employees with poor or unsatisfactory performance are laid off first. For this purpose, performance appraisal is used to establish who is inefficient or below expectations. If seniority is the basis, then employees with the shortest period of service are first laid off and the older employees are retained as long as possible.

At the time of recall (after the lay off period is over), the organization recalls their key employees. Employees with the longest period of service (seniors) are recalled first and then the employees with the shortest period are recalled. Also, the management may seek to recall those employees whose skills are essential for the resumption of production or services.
• **Retrenchment**

It refers to the termination of the services of employees because of the replacement of labour by machines or the closure of a department due to lack of demand for the products manufactured. Retrenchment, like layoff, entitles the employees to compensation. But retrenchment differs from layoff. In layoff the employee continues to be in the employment of the organization and will be recalled after the end of the layoff period. But in retrenchment, the employee stops being in the employment of the organization.

Retrenchment is different from dismissal. Retrenchment is forced on both the employer and the employees whereas in dismissal an employee is dismissed because of the fault of the employee. Also, in retrenchment service of several employees is terminated, and in dismissal the services of only few employees is terminated.

• **Voluntary Retirement Scheme (VRS)**

This is another type of separation where surplus labour is reduced by paying them handsome compensations. Managements prefer to pay hefty sums and reduce staff strength than retaining surplus labour and continuing them to pay compensation. Also, VRS is perceived as a painless and time saving method of trimming staff strength, as the organisation offers the compensation only to those employees who opt for VRS. On the other hand, organizations have lost competent employees while incompetent employees have not opted for the VRS.

• **Downsizing**

Downsizing means reducing the size of workforce. It involves several employees and is mostly adopted by organizations when they face any of the below situations:

a) When the organisation is constantly incurring losses over a period of years.

b) When the organization goes in for restructuring.

Downsizing should be handled carefully because of its negative impact. It
affects the employee morale as the surviving employees experience loss of identity, colleagues and security. Also, the economic benefits that an organisation expects often fail to materialize.

Activity A

What is Separation? Describe the various methods of separation.

10.3 HOW TO MANAGE SEPARATION EFFECTIVELY

The entire separation process should be handled smoothly without the separating employee feeling harassed. Smooth transitions and return of company property should be ensured. Valuable insights about the organisation from departing employee are received through exit interviews that help the organisation reduce future attrition. Employee exits are natural part of the employee life cycle. Whether caused by voluntary resignation, retirement or company induced termination, employee separations need to be efficiently managed by HR.

Employee separation needs to be handled with sensitivity, discretion and speed so that exits can happen smoothly and on good terms. After all, former employees are the most effective brand ambassadors for the company's employer brand equity.
Exiting employees, present an opportunity to glean a wealth of valuable feedback and insights on the organisation strengths and weaknesses as an employer, and employee engagement levels in the organisation.

**Exit interview**

Exit interviews are conducted just before an employee leaves an organisation and are conducted to know the reason for quitting and the circumstances which made the employee quit. The exit interview should have structured set of questions which can include the following:

• What is your reason for leaving the present job?
• What did you like most about your job?
• What did you like least about your job?
• What did you like most about the organisation?
• What did you like least about the organisation?
• Would you like to join back the organisation in the future?
• What would make this organisation a better place to work?

Exit interviews are very useful as they provide feedback about the employee's experiences on the job. The feedback provided by the separating employee could help the organisation in strengthening its retention strategies. Also, the interview can help retain a competent individual who has quit his job.

On the other hand, the separating employee need not be candid and objective while giving feedback during the exit interview.

### 10.4 HOW TO MINIMISE TURNOVER / REDUCE ATTRITION

Attrition can be reduced by retaining high performers through innovative reward schemes while engaging in human resource planning to ensure that only a few employees occupy difficult-to-replace positions. Some of the retention strategies followed by organizations are:
• Succession planning

Succession planning includes training programmes and series of job assignments leading to top positions. Succession planning used to refer to the process of replacing a CEO when the position became vacant due to foreseen or unforeseen circumstances.

These days, leading organizations understand the importance of implementing a succession plan for more and more roles across the company - in some cases extending to the larger population (managerial, professional, and administration). Nowadays, more organizations are planning for succession and development because they have found that it takes years of systematic grooming to produce effective managers.

Succession planning is also an important way to identify, develop, retain and allocate key members of your workforce long before any talent gap occurs. Also, top-performing employees are often looking for jobs that are engaging while their managers are continually looking for ways to motivate and retain them.

Most succession planning programmes include the involvement and commitment of the top management, high-level review of the succession plans, formal assessment of the performance and potential of the candidates, and written and specific development plans for the individual candidates.

Succession planning efforts are designed within the context of an organization’s overall business plan. Since the strategic plan and corporate objectives direct the skills and abilities needed by the company's leadership, these plans also affect the training and development implemented by the company. All organizations incorporate a robust development program which is a part of the succession planning process to ensure the right people, with the right skills, are available at the right time to meet current and future business needs.

• Career development

Career is a progress of a person in some profession or in an organisation. Career development refers to a formal approach used by an organisation to
ensure that employees with proper qualifications and experiences are available when needed. Organizations devise and implement several initiatives in order to develop their employees' careers. Most significant of them are career planning, workshops, career counseling, mentoring, personal development plans and career workbooks.

Career development benefits both employees as well as organizations, as properly developed employees add value to themselves and to the organisation. Active career development initiatives by a company are a key retention tool to keep the best talent within its fold. It is one of the greatest motivators to keep an employee happy and engaged. From the employees' point of view, career development initiatives gives them a clear focus about their career track, the obstacles that they have to overcome and the final goal to be reached. This focussed approach works to their advantage from their everyday work to long-term aspiration.

Implementation of these plans helps companies earn credibility amongst employees and commitment towards building 'intellectual capital' which is the strength of any organisation. The impact of career development/succession planning programmes can be seen through the productivity indicator, engagement surveys and reduction in attrition rate.

**Activity B**

Describe the retention strategies followed by organizations.

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10.5 SUMMARY

Separation occurs when an employee leaves the organization. Separation can be either voluntary or involuntary. Resignations and retirements falls in the category of voluntary separation whereas discharges, layoffs, retrenchment, voluntary retirement scheme (VRS) and rightsizing are the common methods of involuntary separation. An organization manages turnover by separation through retention strategies. An exit interview is a process to elicit the views of the exiting employee. Career development and succession planning are some of the strategies adopted by organisation to retain high performing employees.

10.6 SELF-ASSESSMENT QUESTIONS

1. What is separation? Describe the various methods of separation.
2. How does an organization manage separation effectively?
3. Explain exit interview.
4. What are the retention strategies adopted by organizations?
Even the best employer has to face the dilemma of an employee resigning for various reasons. The employee could be your star performer or an above average performer; it is always a task to deal with when an employee chooses to leave.

When an employee resigns, whether or not he/she is amongst the one who shoulders the responsibilities, it can cause a disruption in the work-flow of the team. There are so many loose ends to tie and in order not to let the productivity get affected, the HR has to come up with solutions that will create as little bumps in the work process as possible.

"When an employee quits the HR personnel's sole motive should be to handle the team that shall be losing the member. Everyone has a set of responsibilities and that is how the team is able to give the end result. So, it is vital to handle an employee's resignation in a sensitive manner, considering the consequences," says Ratan Jain, CEO, Glitters Import.

The HR manager can first address the issue of responsibility division amongst the existing team members. "When an employee quits, the first task at hand is to divide his/her responsibilities in case, there is no replacement found till then. As the team cannot stop functioning and the other members should also not feel burdened with excessive duties. So, this has to be handled with utmost care," says Paresh Rawat, recruiting head, Shah Transport and Engineering Co.

Apart from the duties that have to be split, there also remains the task of hiring someone who will be able to match up to the team's expectation of the previous employee. In an organisation, the teams that work together usually have their own set dynamics which help them perform better. The dynamics of the team may be a little difficult for the newcomer to handle. "In such a situation, the HR can smoothen the way in for the new employee and make sure that the team as well as the new employee are comfortable with each other. This can be done by conducting an induction session for the specific team only so that they know each other under informal circumstances," adds Jain.
However, the main role is played by the employee who is resigning. In their notice period, the HR managers can make sure that they are able to tie the loose ends and make sure that they bring about a positive transition in the team while leaving and not de motivate the other members.

The HR personnel can also organise a meeting with the leaving member and the other team members, so that in case of any grievances, they can address it and try to work on the issues so as to keep the productivity levels high. "The team from the member resigns will be the most affected. The entire working process undergoes a sudden change and people who are staying back in the company are the ones to deal with the change. Some team members will be receptive to the change and some won't. That is why it is said that dealing with an employees resignation is not an easy task and requires a lot of tact and understanding," concludes Rawat.
As an individual nothing shakes up your life as much as a sudden loss of job. So what can be done in such times of crisis?

'Layoff', 'Downsize', 'Workforce Optimisation' are no longer terms that sound strange to the average Indian employee. Although this corporate phenomenon hitherto has only been associated with the West, Indians are slowly coming to terms with its harsh reality albeit in a different way!

For an individual nothing shakes up your life as much as a sudden loss of job. "One can equate the trauma of being laid off to that of losing a parent or a limb," believes Shanth, a bank employee who fears losing his job each waking hour. Some say that the unfortunate event of being laid off can turn out to be a golden opportunity in disguise. "It is a chance to stop, catch your breath and figure out what you want to do with your life," informs a popular US-based human resources website. However in India, only a handful of the working population is blessed with the financial power to tide through this unexpected vacation and devote time and energy in self exploration. For a majority, it is the thought of how to get the next pay cheque and the nightmare of how to pay the next home loan installment which looms large.

For a laid-off employee, along with the stress of job hunting during tough times there is also the added emotional baggage of coming to terms with the fact that 'YOU' have been asked to leave. "Take comfort in the fact that there are many like you who have been laid off during these typically tough times and there was nothing personal that made you lose your job," shares Madhukar, a back office worker at a publication house who has been given the pink slip last month and has just started working as a collection agent for a credit card company.

So what are the steps that one needs to take to tide through the crisis? How does one deal with so much in so less time?

**First things first: Tend to your finances**

"While you are still working, work towards having three to six months' worth of living expenses in reserve. Draw up a plan to manage your household expenses and reduce your spending on extraneous luxuries like eating out or..."
visiting multiplexes. Also avoid using credit cards since interest rates on these are really high," advises Anil Shah, an investment consultant.

**Looking for a new beginning: Tap your contacts**

The ideal way to start your job search is to formulate an effective strategy. Fall back on your network and let the world know that you are free and looking for job openings. "Never feel shy to send a communication to all your friends, peers, former colleague and relatives telling them about your situation and you may be surprised with the help you get," adds Madhukar. Contact a head-hunter that specialises in your industry and get on the web to expand your search.

**Collect your dues: Ensure that you have been paid what you were entitled to**

You need to ensure that you have collected all your dues from your ex-employer. "Sign and submit all documents in time to ensure that your final settlement papers clear all that you deserved from the company. If your company is offering to pay a severance pay, read through the fine print and negotiate if you have the right to do so," adds Vipul, an HR executive in an IT company.

**And finally: Stay calm**

Losing a job does not mean you have lost all hope in life! Being patient and having the right attitude will ensure that you pass these tumultuous times with ease. Don't become a loner. Stay surrounded by friends and loved ones. Be physically fit and do not indulge in booze or smoke. In these times it is very easy to fall prey to addictions- steer clear from them. Even if it takes a few months, you will surely bounce back if you have courage and have the confidence to do so. Remember- after a spell of dark rainy days, sun does shine!

**If the worst is yet to come.....**

When layoff rumours start circulating, it's time to make yourself indispensable. Here are some tips:

• Meet your supervisors: Let them know what you're working on and get feedback on how you're doing. The idea is to convey your value to the organization.
Separation

• Step up your networking: This should happen both inside and outside your company.

• Update your résumé: Prepare more than one version. That way you can tailor it to suit the job you're applying for.
Separation

REFERENCE MATERIAL
Click on the links below to view additional reference material for this chapter

Summary

PPT

MCQ

Video
OBJECTIVES:

After completing this chapter, you should be able to understand:

• What is Human Resource Information System (HRIS)?

• The various HR areas benefited by the system.

• The process of implementing HR IS in an organization.

• Importance of Human Resource Information System.
The story continues……..

After a few hours, Ajay Verma returns to the car.

*Rajesh*: Sir, I would like to thank you for all the information given regarding Human Resource Management.

*Ajay Verma*: You are welcome....But I have left out 1 small topic.

*Rajesh*: What’s that, Sir?

*Ajay Verma*: It is quite an interesting topic and the future of HR in organizations, from an information point of view, I will tell you about Human Resource Information System.

*Rajesh*: Ok, Sir.
11.1 HUMAN RESOURCE INFORMATION SYSTEM (HRIS)

In today's corporate world human resources has come to play a very critical role in a business. Whether it concerns the hiring and firing of employees or whether it concerns employee motivation, the Human Resources department of any organization now enjoys a very central role in not only formulating company policies, but also in streamlining the business process.

To make a human resource department more effective and efficient new technologies are now being introduced on a regular basis to make things much simpler and more modernized. One of the latest human resource technologies is the introduction of a Human Resources Information System (HRIS). This integrated system is designed to help provide information used in HR decision making such as administration, payroll, recruiting, training, and performance analysis.

Human Resource Information System (HRIS) merges human resource management with information technology to not only simplify the decision making process, but also aid in complex negotiations that fall under the human resource umbrella. The basic advantage of a Human Resource Information System (HRIS) is to not only computerize employee records and databases but to maintain an up to date account of the decisions that have been made or that need to be made as part of a human resource management plan.

11.2 AREAS OF HR BENEFITED BY HRIS

The three principal areas of HR that are benefited by the Human Resource Information System (HRIS) include:

- Payroll
- Time and labor management
- Employee benefits

These three basic HR functionalities are not only made less problematic, but they are ensured a smooth running. A Human Resources Information System (HRIS) thus permits a line manager to see online a chronological history of
an employee from his/her position data, to personal details, payroll records, and benefits information.

- **Payroll and HRIS**

  The advantage of a Human Resource Information System (HRIS) in payroll is that it automates the entire payroll process by gathering and updating employee payroll data on a regular basis. It also gathers information such as employee attendance, calculating various deductions and taxes on salaries, generating automatic periodic paychecks and handling employee tax reports. With updated information this system makes the job of the human resource department very easy and simple as everything is available on a 24x7 basis, and all the information is easily available.

- **Time & labour management and HRIS**

  In time and labor management a Human Resource Information System (HRIS) is advantageous because it lets Human Resource personnel apply new technologies to effectively gather and appraise employee time and work information. It lets an employee’s information be easily tracked so that it can be assessed on a more scientific level whether an employee is performing to their full potential or not, and if there are any improvements that can be made to make an employee feel more secure.

- **Employee benefits and HRIS**

  Employee benefits are very crucial because they help to motivate an employee to work harder. By using a Human Resource Information System (HRIS) in employee benefits, the Human Resource department is able to keep better track of which benefits are being availed by which employee and how each employee is profiting from the benefits provided.

- **Other areas of HR that are affected by Human Resource Information System (HRIS) are:-**

  **Training and HRIS**

  HRIS is very advantageous in tracking the trainings attended by employees vis-à-vis the training needs of the employees. It tracks the types of trainings attended, the number of days of the training programme, the number of
people attending a training, etc. This helps the HR in making better decisions regarding the trainings provided.

• **Performance Appraisal and HRIS**

In some companies, HRIS is used to track the performance of an employee. The key performance objectives/indicators are entered into the system at the beginning of the year with the employee and the line manager signing off the key objectives. At the end of the year, the performance feedback is conducted face-to-face and the key discussion points are entered into the system and the employee and the line manager has to sign off the performance appraisal in the system. This helps the HR department to keep track of an employee's performance over the years.

• **Compliance and HRIS**

Certain organizations especially the ones which are more prone to security risks have to abide by certain compliance rules. These rules require that all employees have to undergo certain tests as well as agree to certain guidelines. For this purpose, HRIS is used. HRIS system is also used to train employees on compliance issues.

• **Employee self-service**

HRIS allows employees to query HR related data like payroll and salary package, leave encashment, etc. It also allows employees to perform some HR transactions over the system like change in their personal records, education changes, etc. Employees may query their attendance record from the system without asking the information from HR personnel. The system also lets supervisors approve Overtime requests from their subordinates through the system without overloading the task on HR department.
Activity A

What is Human Resource Information System? How is it advantageous to Human Resource department in an organization?

11.3 PROCESS OF IMPLEMENTING OF HRIS

Implementing HRIS is usually perceived as an IT project. They may be accustomed to pushing responsibility for such projects onto IT managers, but implementing an integrated HRIS requires HR manager participation and active involvement in scoping, implementation, cutover, resourcing and management.

• Evaluating and preparing for a new HRIS

Many companies go through a process of comparing and evaluating several HRIS packages using a team of analysts or managers from the various units affected - HR Administration, Payroll, Benefits, Employee Relations, Training and so on. As this team prepares its evaluation criteria and reviews HRIS features, much is learned about the goals and values of the various units. The HR administration unit is looking for improved reporting of employee data, Payroll is concerned with the system's paycheck calculations and regulatory reporting, while Benefits may be looking for a more streamlined enrollment process. As this team drives deeper into the selection criteria, the members learn more about each other and may start to see the emergence of some chaotic business processes.
As the team evaluates an HRIS software package, it begins to get a better grasp on what the entire company's business processes are, and therefore what the company might require in an HRIS. The team will most likely find that none of the packages are an exact fit and that substantial effort is required to modify or integrate the chosen HRIS. If due diligence and research has not done, the team may be facing this effort and not be aware of it. This gap in planning will show itself in the subsequent implementation phase when the project team realizes there are not enough resources - time, people and money - to implement the HRIS.

Perhaps the most critical results of the HRIS evaluation process are that the evaluation team set correct expectations for the project and gain executive management commitment. With correct, or at least realistic expectations and an executive management team that seriously supports the team's efforts, an HRIS implementation project has a much greater chance to succeed.

**Configuring the New HRIS**

An HRIS comes with built-in processes for most HR activities, but firms will need to customize the system to process according to their specific needs. For example, every HRIS supports the process of benefits open enrollment, but the system does not come delivered with a firm's specific benefit providers and eligibility rules. Customizing the HRIS for this typically does not involve programming; the common activity is to enter specific data into control tables that then direct how the HRIS operates. The customizing, or configuration tasks then become a process of understanding the firm's business processes well enough to encode that logic into the HRIS. This mapping of business processes and policies into system control tables requires people who understand both the business process and the HRIS - typically the existing IT support and HR business analysts. Due to the large amount of work, the HRIS project team usually needs these analysts fully dedicated to the project, requiring the "home" departments to fill the gaps in their absence. Having partially dedicated team members may cause tension since the team members have to maintain responsibilities at the home department while also fulfilling responsibilities on the project team. Either way, backfilling resources becomes a big issue if not planned for during the evaluation stage.
Firms may find that the internal resource people assigned to the project do not have the skills or capabilities needed for the job. Sometimes training can resolve this, but other times the people lack basic analytical skills required for the implementation. One of the key requirements for a person to be successful on an HRIS implementation project is that he/she have excellent analysis skills. The most analytical people in HR and IT should be assigned to the project, or else the company should rely on external resources (i.e. contractors or consultants). The project can get done this way - but the more an implementation team relies on external resources the more difficult it will be for the company to become self-sufficient in ongoing HRIS support, maintenance, and operations.

Many HRIS implementations include, to one degree or another, business process reengineering. As a firm documents, investigates, and discovers its true business processes, it's natural that the firm also take time to improve them, or at least integrate the processes across departments. The integrated nature of most HRIS packages drives this activity. When a process is reengineered or integrated, once-independent departments become much more dependent on each other. That dependency can increase tensions on the project team as representatives from those departments learn to trust others to do their part of the process. Or, once the project team members become comfortable with the new processes they have designed, they may have a hard time convincing the other departments regarding these changes.

Finally, as the project team analysts dig into the current business processes, they may find that the HR users, and sometimes managers, don't really understand or know the processes well. Users may know what is done, but not why it is done. Knowing the why part is critical to getting the most out of an HRIS implementation. In most every HRIS there are two or three technical methods of implementing any given requirement - knowing why something is done in a business process helps ensure the project team analysts select the best method of implementing it in the HRIS.

**Linking the New HRIS with Other Systems**

Most HRIS project teams have a number of people assigned to converting historical data from the existing HR databases into the new HRIS, as well as for interfacing the new HRIS with other systems that rely on HR data. As
this group starts mapping historical data to the new system for conversion, most often group members will find (particularly when combining data from several existing systems to go into one HRIS) that the existing HR data contains a significant amount of invalid, incomplete, or contradictory data. As the new HRIS was configured for new, reengineered or streamlined business processes, the existing employee data may not fit well into the new system. The new HRIS will demand more complete and accurate employee data. Making sense of these data conversion problems is a skill that falls to HR analysts, not the programmers writing data-conversion routines. Conversion and interfacing are not solely technical activities - user consultation and input are required. Many HRIS project teams discover these requirements too late, thus increasing the demand for time from HR analysts on the project team.

If the firm has a data warehouse, the new HRIS data will need to be mapped to it. If the data model in the warehouse is based on the legacy HR database, the two data models may not be compatible. A lot of effort can be spent mapping the new HRIS to an existing data warehouse. Or if the HRIS vendor has its own data warehouse application, the project team might be tempted to use it, but they will still have to contend with converting existing historical HR data into the new warehouse. Either way, HRIS project teams spend more effort than planned on this issue - the details can get very tedious and time consuming.

Replacing HR systems involves any area of the company that reads or relies on employee data. New system implementation may highlight employee data privacy issues, or increase the scope of interfacing once the project team realizes just how many systems read employee data from the current HR-related databases.

• **Preparing the Organization**

The HRIS project team must track progress not only on the technical aspects of implementing the HRIS, but also on the softer side of managing the organization as a whole to accept the new business processes that come with the HRIS. Companies typically underestimate this change-management effort. From the very beginning there must be a focus on preparing the organization and the employees for the new HRIS.
A new HRIS, with more integrated work processes, tends to pull related departments together. Some firms recognize this as they go through the implementation process, and also implement a new organizational structure with the HRIS roll-out. For example, HR and Payroll may have reported to separate areas of the company, and parts of HR business processes were scattered throughout various departments. But as a new HRIS is implemented, the previous organizations are transformed to report to a single authority, and a shared-services group is established to perform the integrated work processes that were once scattered. This is a common, but often unexpected, result of HRIS implementations.

During the implementation phase, firms should also be determining what their support model will look like - what kind of organization will be required to support this new HRIS? Those who study this task in detail will realize they need cross-functional support teams - containing programmers, configuration experts, and business analysts - to successfully support the new HRIS. But this integrated support team does not fit well into the vertical departments in most companies today. Finding a way to implement this cross-functional team is a critical success factor for the new HRIS' ongoing operation.

**Activity B**

Describe the process of implementing an HRIS in an organization.

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11.4 IMPORTANCE OF HRIS

• HRIS Benefits:

HRIS has showed many benefits to the HR operations. A few of them can be detailed as:

a) Faster information process,
b) Greater information accuracy,
c) Improved planning and program development, and
d) Enhanced employee communications.

Putting HR services online doesn't just cut costs by letting employees research their own inquiries or by letting HR call center counselors do their jobs more easily (although it certainly does both). It also enables HR to redeploy its assets and focus on more strategic issues.

HRIS is useful in measuring the diversity of the organisation. The HR manager depends on the HRIS to assess the efficiency and effectiveness of a company's diversity. HRIS provides accurate information thus reducing the costs of collecting and compiling the relevant information. It helps the HR manager to know the turnover in the organisation, the percentage of minority/women promotions, workforce profile and the cost of replacement per hire.

HRIS also improves the administrative efficiency by speeding up the provision of data, by reducing the resources required to carry out routine administration, thereby freeing the resources for higher-value activities which are fundamental to the success of the management.

It helps in supporting the decisions of the management as it gives a factual basis for decisions concerning the planning, acquisition, development, utilization and remuneration of human resources.

• Critical Analysis

Although almost all HR managers understand the importance of HRIS, the
general perception is that the organization can do without its implantation. Hence only large companies have started using HRIS to complement its HR activities.

But HRIS would be very critical for organizations in the near future. This is because of a number of reasons.
a) Large amount of data and information to be processed.
b) Project based work environment.
c) Employee empowerment.
d) Increase of knowledge workers & associated information.
e) Learning organization

The primary reason for delay in HRIS implementation in organizations is because of the fear psychosis created by "technology" and "IT" in the minds of senior management. They may not be very tech savvy and fear being left out.

But trends are changing for the better as more and more organizations realize the importance of IT and technology. Major HRIS providers are concentrating on the small and middle range organizations as well as large organizations for their products. They are also coming up with very specific software modules, which would cater to any of their HR needs. SAP and PeopleSoft provide HR modules within their business intelligence software. Hence, HRIS would soon be an integral part of HR activities in all organization.
11.5 SUMMARY

Human Resource Information System refers to the systems and processes at the intersection between human resource management (HRM) and information technology. It has impacted many key Human Resource Department's activities like payroll, time and labour management, and employee benefits. Many organizations have adopted it to streamline the HR processes and also to lessen the burden on the HR department.

11.6 SELF-ASSESSMENT QUESTIONS

1. What is Human Resource Information System? Describe its impact on HR activities.

2. Explain the process involved in implementing Human Resource Information System. What is the importance of HRIS in an organization?
SHAW'S SUPERMARKETS

The Situation:

Shaw's Supermarkets is the second largest supermarket chain in New England. With a workforce of 30,000 located at 180 stores throughout six states, Shaw's HR staff is responsible for managing employees' personal data. Their employee mix includes approximately 70 percent part-time employees, consisting of students, senior citizens, second-job part-timers, and career part-timers. One third of the workforce is made up of union associates, and Shaw's staff oversees the company's involvement with three unions and six separate contracts. In order to help manage the workforce, the HR staff became interested in centralizing its HR operations.

The Response:

In order to centralize HR operations Shaw's decided to implement an ESS (employee selfservice) solution. The use of self-service applications creates a positive situation for HR. ESS gives HR more time to focus on strategic issues, such as workforce management, succession planning, and compensation management, while at the same time improving service to employees and managers, and ensuring that their data is accurate. With this solution, employees have online access to forms, training material, benefits information and other payroll related information.

The Outcome:

Shaw's has had positive feedback since implementing the ESS solution. "The reaction from our employees has been extremely positive," Penney, VP of Compensation and Benefits, says. "We even had a significant increase in our medical coverage costs, and it was almost a non-issue because the online enrollment featured the plan choices, the employee cost, and the company subsidy. An employee self-service application makes it very easy for them to understand their contributions and coverage options. I received several e-mails from employees saying this was a great change and how
easy ESS was, which the case is not often when employees are selecting their benefit options." By giving the employees more access to their information they are able to see the benefit choices available to them. Employees are also able to update their information online, which helps reduce the paperwork of the past. Shaw's has also seen improvement in productivity because employees are updating information at home, not during work hours.

IBM

The Situation:

IBM's paperless online enrollment system, introduced in 1999, has proved to be a winner for both the company's 135,000 active U.S. employees and the company, according to Cathleen Donnelly, senior communications specialist at company headquarters in Armonk, N.Y. The company saves $1.2 million per year on printing and mailing costs alone, Donnelly says, and the employees' can take advantage of a variety of technologies to learn about issues, research program information and access decision support tools from their desktop computers.

The Response:

One of those tools, a personal medical cost estimator, enables employees to calculate potential out-of-pocket health care expenses under each of the plan options available to them, Donnelly says. Employees log in personally and are greeted by name and with important information regarding their benefits enrollment, such as the deadlines and when changes take effect. They automatically get access to health plans that are available to them, and the calculator lets them compare estimated benefit amounts for each plan.

"Employees can select the health care services they expect to use in a particular year, estimate expected frequency of use, and calculate potential costs under each plan option," Donnelly says. "The feedback that we've received from employees tells us that this tool has really helped them to make a comparison between plans based on how they consume medical services." The calculator shows both IBM's costs and the employee's.
The Outcome:

"Since we began offering online enrollment, we've learned that employees want web access," Donnelly says, so they can log on at home rather than through the company intranet. So the company has been working to put in place a web-based enrollment system that employees and retirees can access from anywhere.

Employees can get summary information on the plans, drill down into very specific details and follow links to the health care providers for research. Donnelly says the system has received high marks for convenience because employees can "get in and out quickly."

TOSHIBA AMERICA MEDICAL SYSTEMS INC.

The Situation:

Lynda Morvik, director of benefits and human resources information systems at Tustin, California-based Toshiba America Medical Systems Inc. (TAMS), thought it would make sense to add a benefits communication component to it. By having all the benefit information online, the TAMS employee handbook would also be a living document, enabling Morvik to make changes when necessary. Such was the case halfway through the project, when TAMS changed health care plans from Aetna Inc. to United Health Group Inc.

The Response:

TAMS, an independent group company of Toshiba Corporation and a global leading provider of diagnostic medical imaging systems and comprehensive medical solutions, such as CT, X-ray, ultrasound, nuclear medicine, MRI, and information systems, had been using a payroll service bureau and an in-house solution for HR that didn't include easy-to-use consolidated reporting or an employee portal. After evaluating UltiPro alongside several enterprise resource vendors, TAMS selected Ultimate Software's offering and went live in September 2002 after an on-time and on-budget implementation. Almost immediately upon rolling out the UltiPro portal to employees, TAMS began seeing improvements, with an estimated 70% increase in open enrollment efficiency.
The Outcome:

In an effort to expand the usage of the Web beyond the benefits enrollment process, TAMS has posted a library of documents and forms on its HR portal, including the benefits handbook, which garnered a 2004 Apex Award for publication excellence. That same year, Business Insurance magazine also gave TAMS the Electronic Benefit Communication (EBC) award for outstanding achievement in communicating employee benefits programs over the Web. To continue elevating its use of Ultimate Software's HRMS/payroll solution, TAMS modified the UltiPro portal to meet the imaging company's unique needs. It was completely integrated with several proprietary applications created to address compensation and performance management issues so that TAMS employees have a central location for comprehensive workforce and payroll information from a Web browser that they can access with a single sign-on.
Employee empowerment is the latest buzzword in business and a variety of Tata companies are working overtime to place their people in the driver's seat.

The crowd holds its collective breath as Pakistan speedster Shoaib Akhtar prepares to strike. But the batsman, B. Muthuraman, is unperturbed. The delivery is sent flying into the stands. The cheers get louder as the Tata Steel managing director raises his bat in triumph.

Not real life, but an inspirational film. "It's a part of our Vision 2007 campaign," explains Niroop Mahanty, Vice president (HRM), Tata Steel. Adds B. N. Sarangi, chief, HR/IR, Tata Steel, "The idea was to motivate employees to accomplish the impossible, like hit a six off Shoaib Akhtar." Or achieve EVA (Economic Value Add) positive status by 2007.

The buzz in Jamshedpur is palpable. Tata Steel is not looking at incremental improvement, but a quantum jump in performance. Unlike its previous attempts, Vision 2007 is not a top-down initiative. More than 8,000 inputs from shop-floor workers and managers, contributed in articulating the future course for the lowestcost producer of steel in the world. Tata Steel's human resources (HR) department further cascaded the knowledge to all of the company's 40,000 employees.

Assimilation of the vision was of paramount importance. Tata Steel organised oneday workshops called 'Lakshya 2007 - Ek Chunauti' where employees were encouraged to write down their main responsibilities. These were then aligned with the departmental, divisional and company's key performance indices and, finally, with the vision. This innovative approach has garnered tremendous support from employees. Says Suman Biswas, Improvement Group, Tata Steel: "The employees felt important as they were made an integral element of the vision. Our commitment is total."

Tata Steel has been inundated with scores of ideas and suggestions generated at its employee workshops. It is setting up a centre to implement and even patent the viable ones, while publicising the names behind them.
Winds of change

With globalisation and competition challenging the corporate world, HR managers can no longer play just the traditional administrative and welfare role. They are expected to be effective change leaders, working at the centre of each business rather than at the fringes of the action. Today HR helps define the business case for change, it communicates a vision of the future, shapes a sound implementation plan, and follows through to achieve sustained results. Changing times call for different and innovative strategies - and a catalyst called technology.

With footprints in various geographies, IT leader Tata Consultancy Services (TCS) created systems for managing the future. The need was to deploy employees in a seamless and integrated manner. The innovative solution it engineered to meet these challenges is called Ultimatix. Designed in-house, it digitized the whole organisation in real time through the web. Every single employee was connected through this platform across the globe. Ultimatix has also been successful in cutting through layers of decision-making within TCS.

"Ultimatix has become our single employee-service window," says S. Padmanabhan, executive vice president and head - Global HRD, TCS. "It has ensured that employees get their services without much difficulty. They can log in with their claims, loans or even leave applications for processing. All approvals are done online. To that extent, we are a paperless organisation."

To a population that is highly mobile, virtual HR is a godsend. With deployment being a challenge to companies with the size and spread of TCS, it is a major time saver. Besides its HR policies, the organisation has taken its appraisals and employee satisfaction surveys online. It does not end here. The survey findings, along with implemented suggestions, are also posted online. Rising employee satisfaction scores endorse the popularity of these initiatives.

Incubating innovation

Every employee possesses the power to innovate. The challenge is to create an encouraging environment that allows and recognises this, believes Bernand Martyris, senior VP (HR), Indian Hotels. This is one of the key elements of the company's Stars, or Special Thanks and Recognition
Systems, programme. Since its launch three years ago, the globally acclaimed model has triggered soaring employee satisfaction scores, besides numerous employee suggestions and innovations, many of which are best practices today.

"Whether it's an indigenously manufactured bathroom mat or a new chemical for the laundry, every idea is big and shared across the hotel chain," says Mr. Martyris. "It has shattered the myth that only people at the top are creatively inclined." There is a huge reservoir of innovation waiting to be tapped among all levels of employees.

The success of the earlier programme led Indian Hotels to introduce 'Stars Plus', a spin-off for its service providers, and 'Joy at the Workplace', which is aimed at team building and bringing cheer to the office. From celebrating birthdays to organising cricket matches between the various Taj properties, the objective is to keep employees motivated. Instead of major initiatives, HR is engaging in small but innovative activities which might appear mundane but make the employee feel at home while at work.

The human factor

HR has also discovered the lost art of listening. Employee satisfaction surveys and primary mood reflectors within the organisation have become sacred. This helps in targeting employee irritants and executing policy changes. Also, HR is more transparent than ever before. Companies are providing direct personal interaction through around-the-clock telephone or intranet / Internet access. For example, TCS has a HR help desk where employees can call in with any HR-related questions. Currently operational in about three to four locations, TCS plans to expand this unique facility to all its centres.

Jobs are out, careers are in. And HR is assuming the responsibility for plotting the career paths and growth of the employees. Most software engineers have a three-point agenda: globetrotting, annual promotions and acquiring millionaire status. "This is the base aspiration and we have to address elements of it," says Mr. Padmanabhan.

TCS, India's first billion-dollar IT enterprise, offers a host of other tangible and intangible benefits to transform its employees into world-class professionals. It supports a rotation policy where employees' discipline is changed every two years, to expose them to different geographies, projects
and technologies. Training and continuing education programmes are compulsory. Likewise, the Taj draws up an extensive training calendar at the beginning of the year for its employees.

Knowledge sharing has acquired great significance in the corporate world. Today most companies allow some level of knowledge sharing through various media. While most of these programmes are usually aimed at the managerial level, Tata Steel's Aspire Knowledge Manthan is a rare programme that enables knowledge sharing among supervisors and workmen. The purpose of this effort is to instil confidence in people and help them perform better.

Change agents

Recent economic trends have compelled companies to tighten the belt and adhere to fiscal responsibility. Companies are returning to improve efficiencies, streamline processes, make intelligent choices, ensure profitability and strengthen the corporate fibre in order to be more competitive. Change is crucial. But the Jamshedpur-based Tata Motors' commercial vehicles division (CVD) has discovered that managing people to manage change is even more important.

Its department for productivity services has been the change agent to achieve the dual task of employee involvement and waste elimination. Says A. K. Dua, deputy general manager, Productivity Services, Tata Motors, "We have tried to be innovative in each of our initiatives."

For instance, the first thing that the team addressed was the need to create champions and opinion leaders from various divisions within CVD. Under the Total Productivity Model, the division started using a system under which an individual would be the owner of a machine. It would be this person's responsibility to improve its performance and to keep it clean.

"When you deal with people, you deal with emotions. We found that there was a lot of resistance and even hostility towards this model. Someone pulled out a peg from a machine to spite the attempt. So four senior managers took up the ownership of one machine each to set a precedent. They would clean up the machine themselves. Soon, we have others asking if they can do this too," says Mr Dua.
Even in the area of managing in a lean and mean way the division has tried attacking the issue from all angles. For instance, in the area of travel not only is each department keeping track of its own expenses but a central coordinator has also been appointed. "He develops economy routes. He has worked out that the expense can be cut down substantially if people don't stay overnight in Mumbai on their way to Pune. These may sound like trivial things but they make a big difference," he says.

In order to keep track of each department's performance on productivity the division has created a single sheet method in which traffic light signals indicate red, green or yellow. "All 18 divisions are monitored regularly on this basis. If one is on yellow, it means that it is going slow and may need a push," says Mr. Dua.

**Catching them young**

Tata Motors' FastTrack initiative was launched to nurture leaders from a young age. Aimed at recognising talented employees, it facilitates early advancement to challenging and visible assignments through a systematic procedure.

The selection involves a three-stage process: a written test, a 'power' interview and assessment. Short-listed candidates are required to go through an interview with the executive directors. Selected candidates gain a huge lead in terms of promotion and learning. They are relieved from their current jobs and put on various project-based training programmes under the guidance of senior managers in the company. If the candidates do not possess management education, they undergo a four-month course at the Indian Institute of Management, Ahmedabad.

"Any employee with two years of work experience in the company can apply for this programme," says V. K. Verma, head, corporate human resources, Tata Motors. "Till date it has generated more than 60 potential leaders in the company, and they are at least 10-15 years younger than the natural climbers."

After the successful completion of the programme, the candidates are rotated across departments to acquire general management skills. "In fact,
the programme has performed so well that we are helping duplicate it in other Group companies, with Tata Chemicals being one of them."

**Looking beyond**

Yesterday's innovative practices are routine today. This is true about employee welfare schemes standard with most corporates. Companies are looking at the workplace and beyond. The emphasis is on enriching and improving the quality of life. Tata Steel, a pioneer in employee welfare, is making huge investments in environment and education in Jamshedpur. Pollution, occupational hazards, safety regulations and health are the other constants on its plate.

Tata Motors' innovative concept of a 'leave bank' has been much appreciated by its employees. In this scheme, every employee voluntarily donates one day's leave to a notional bank every year. In return, the employee is entitled to one year of paid or two years of half-pay leave.

"This helps in the case of any accidents or need for long leave," says Mr. Verma. "On resuming, the employee pays back only 10 per cent of the leave withdrawn." To prevent the misuse of this facility, two members of the management and union head the leave-approving committee.

Long working hours, extensive travel and desk-bound jobs skewed the delicate work-life balance of many a TCSer. Propel came to the rescue. Under this innovative initiative, the company encouraged the formation of groups with similar interests to come together to conduct various activities like book reading. Maitree, an initiative for the spouses of employees, helped in bringing together the families of the employees. This has not only increased sharing and communication within the company, but has also remarkably improved the social skills of employees, says Mr. Padmanabhan.
Introduction

Managing human resources effectively has become vital to organizations within the modern and fast-paced business environment, more so as the economy the world over converge into a synapse of globally connected and interdependent sectors aimed at preserving and creating knowledge rather than products and services alone. The novelty in the market today demands innovation and trust more than mere comparative analysis of sales and market share, and the hierarchy of the centre and periphery model is evolving into a different paradigm.

Human Resources specialists are more important in business strategies today for this very change in market dynamics - more so in the present economic situation of a global recession and downturn across industries and sectors. The focus has turned on HR Department at every organization - the survival lines are running drier with every passing week at the trading markets the world over, and the aim is not only to see through the recession, but more importantly, to ensure employees are still committed to the organization. HR development acts as the mentor to its employees - guiding, training and educating them in the way of the industry and the organization. Well trained and competent employees, who are able to showcase themselves and their organization to the customers in a more effective manner, help in increasing customer satisfaction and overall clientele, by adding credibility and reputation to the business. Effective HR planning and development practices bring quality and loyal workers who are committed and passionate about the success of their organization.

Google Inc., the 9 year old technology service provider based in Mountain View, California, was voted the number one Best Company to Work for in America for the second year in a row by its employees. It is the biggest brand name in the world today - a brand that is built upon a culture that is high on trust, low on politics, great at sharing resources and sharing the wealth, and full of meaning and significance. However, besides the usual and much publicized remuneration package and plush offices, deeper and more thoughtful set of factors have been identified and acknowledged by
consulting firms and employees alike on why it is such an attractive organization to work for.

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**Organizational Goal and Vision**

The work culture and employee empowerment philosophy at Google was apparent from the day the company was launched in 1998. The founders, Larry Page and Sergey Brin, wanted to establish Google as a company that was to be seen as a company run by the geeks. The HR Department, in its alignment with the business strategy of trying to attract the best minds across the globe to work for Google, has since always aimed to become the strategic partner to the business operations.

**Business Strategic Model**

As an organization, Google and its employees take pride in being regarded as geeks. In fact, one of the banners that greets you as you enter Google's Toronto Office reads "proud to be geeks". How this very philosophy dictates their business strategy can be understood from the fact that Larry Page once remarked that Google was comprised of people with 'frighteningly' single-minded focus. Google offices are seen not as locations where people go to work, but rather as dream?houses for these geeks to retire to when they want to create something innovative and state of the art.
"Four years ago, the average search took about 3 seconds. Today, it is down to about 0.2 seconds. And since 0.2 is greater than zero, it's not fast enough". A small statement from Peter Norvig, an engineer at Google, tells the tale of the work culture and employee commitment at Google - the employees don't need the next deadline or next project proposal to work on creating something, but rather an intrinsic challenge - a challenge that could be driven by self benchmarks, or by peer influence, or simply, the quest for solving something. As a company, Google completely understands that such is the nature of devoted and committed geeks - and provides everything that is possible to keep these geeks motivated to work on novel and creative pursuits.

Understanding Google's business strategy needs a subtle understanding of how the so?prejudiced geeks work and present themselves. For a media and technology service provider like Google, the competitors have always tried to downplay the role of Google's HR department in the overall success of the organization. This is clear from the scathing criticism from Steve Ballmer, CEO of Microsoft Inc., where he has repeatedly questioned and challenged
the business strategy and model of Google. "They're really just one business, a search and advertising business". However, this does not explain how Google was able to reach the $10 billion revenue mark much quicker than Microsoft.

The explanation, as Larry Page puts it in his official blog, comes from the intrinsic Google's vision - Google wants its employees to be as committed to technology solutions and services as the founders themselves were when they were busy conceptualizing this very vision in the dormitories at Stanford University during their college days. From providing everything that the employees need for them to focus on creativity and innovation, to helping these employees have the right information and the right resources for their work, Google has always focussed on the human capital creation and retention since becoming operational in September 1998. The business strategy for Google is tightly coupled and strongly reflected in their company's vision statement, now known as 'The Ten Things' because of the way Google was able to envisage, and more importantly, deliver, this vision.

This philosophy at Google has served as the operating guidelines for the Human Resource Department there in a very broad and yet amicable manner. It is clear from this philosophy that Google, when formed, was aimed at creating innovative and unique solutions which would uphold the brand equity and reputation of the company not by who its employees were, and how did they dress and behave, but rather from whether the product they launched in the market could deliver what it promised or not.

As a company, Google was founded and has succeeded on the shoulders of its innovative products and clutter-free presentation. The strategy has been to provide the user a completely precise and to-the-point customer experience - and to accept short term losses over long term goals. The fact that Google's home page always consists of exactly 37 words proves the point.

The informal structure of work setting, the focus on creativity across diverse areas of internet technology, and the performance delivery promise that Google incorporates in its vision is testified by the success of its first IPO last year. However, the innovative and novel management techniques, the unique demographics of workforce, and the marvel of web services that Google launches every now and then are not as distinguishable and clear to external observers, more so from a non-technology background. The
rigorous accountability, the relentless attention to detail, and the cutting edge ideas are not the secretive components of its success anymore. However, the way the HR functions and policies have aligned themselves with the business model and vision makes Google the most exciting young technology company to work for and to do business with.

**HR as a Strategic Partner for Business**

HR department at any organization has a unique challenge - it has to ensure that the employees are motivated and committed to the organization with complete integrity and honesty. However, at the same time, the HR department has to ensure that the market dynamics are not adversely affected by the sheer volumes of investment involved in the process. In some ways, HR department should act as a service provider for the employees, and treat employees as its customer base - treat the employees the same way you would like them to treat their customers, and the whole paradigm of customer satisfaction and delivery becomes easy to adopt and adapt.

The business model and strategy of not merely trying, but actually delivering the best solution has been a benchmark of the work culture at Google. The workplaces and office locations all over the world are built over sprawling spaces which provide the employees not only with every possible space for creativity and innovation, but also ensures that the employees' ideas are duly and uncompromisingly studied, worked on, and acknowledged.

**Recruitment and Selection**

Recruitment at Google is the first and foremost step in the overall HR processes. With the reputation and promise that Google holds for thousands of technology professionals who want to make Google their second home, more than 1300 Resumes are received each day by Google. Hiring the right people is a key HR philosophy at Google - the median age of employees at Google is 27 years, making it the youngest workforce across the industry.

However, the retention rate, and the turnover data at Google proves that the organization has been successfully able to attract, retain, and motivate the most difficult crop of employees - the Y generation cyber?generation professionals who are prone to changing their affiliations quicker than they change their clothes.
Google hosts many external events throughout the year which reflect a combination of their excellent recruiting practices and their awareness of the internal culture they want to maintain. They are explicitly seeking to attract the kinds of people to the company who will be successful in their open, collaborative culture.

Training and Development

Google employees are offered tremendous opportunities to learn and grow. Professional development opportunities offered to all employees include classes on individual and team presentation skills, content development, business writing, executive speaking, delivering feedback, and management/leadership. Free foreign language lessons, including French, Spanish, Japanese, and Mandarin are also sponsored by Google. Given the prominence of engineers at Google, particular attention is paid to providing unique development opportunities for this group.

An Engineering training group, engEDU, provides orientation and training classes, mentoring, career development, and tutorial services - all programs built by and for engineers. Google has also expanded its global learning and development team during the last year and is creating new leadership development programs to help develop and support Google’s future leaders. In a survey, 92% of employees indicated that they are provided T&D to further them professionally, and 97% indicate that they are given the resources and equipment to do their job.

It is mandatory for all employees to undergo T&D sessions for a minimum of 120 hours/year, which is about three times the industry average in North America of 43 hours/year. This shows the amount of effort, time and money that Google invests in its employees to keep them abreast of the professional and technological advancements.

Innovation and Creativity

There is a strong culture of innovation and experimentation at Google with engineers encouraged to take 20% of their time to develop new product or service offerings, or to provide enhancements to current offerings. Innovation from inside the firm is the norm for most engineering based software development companies. What is unique at Google is the support provided by the company, the collaboration among engineers working on each others'
projects, and the final set of results that Google is able to achieve with the creativity and expertise of its engineers.

**Social Good**

Google has the informal corporate motto "Don't be Evil", which reminds its employees that commitment to be ethical is part and parcel of being a leader at Google. 99% of the employees indicate that, "Management is honest and ethical in its business practices". The standards of conduct that Google employees adhere to concern internal business practices (respecting each other, protecting confidentiality, protecting Google's assets, etc), external relations with customers and partners, and the impact on of Google's work on the larger society.

**Compensation Structure**

Google stands out as being one of the most sought after and yet one of the most underpaying employers in the industry. However, the HR strategy fits perfectly with the business model and vision at Google - wherein employees are attracted not to the short term monetary returns from work, but rather to the support system that could help them create anything. So the work hives at Google have day care and elder care centres, have spa and hair salons, car wash and oil check facilities, and virtually everything that a technology obsessed geek would like to worry least about, in form of an all inclusive liberal benefits package, but the actual takeout cash component is negligible. The innovative Stock Option system at Google ensures that all employees get compensated competitively thanks to the remarkable equity growth of the company.

So strong is the work culture and employee committed bent upon technology solutions rather than tangible compensation that Google became the first company where the Board of Directors requested for a reduction in their salaries and compensation because they felt they were getting paid more money than they needed. All the employees agreed on the sentiment, and in 2005/06, the employees formally demanded a wage cut themselves. During the same period, the turnover was 1.43%.
### Google Perks and Benefits

- Unlimited Sick Leave
- 27 days of paid time off after one year of employment
- On-site Medical and Dental facilities, oil change and car wash, courier, fitness center, banking center, free breakfast, lunch and dinner on a daily basis
- 18 weeks of additional paid time off post maternity leave; new fathers can 7 weeks off.
- Annual on-site Health Fair offering free testing services, including eye exams and cholesterol testing; also free flu shots.
- Fuel Efficiency Vehicle Incentive Program provides a $5,000 rebate to employees purchasing hybrid cars.

### Best Practice Examples

Creating a great workplace requires more than a specific set of programs and practices?

There is no one set of perks and benefits that work for all. Best Companies develop their own unique cultures in their own ways, with the common feature being that employees are able to say "I trust the people I work for, have pride in what I do, and enjoy the people I work with."

- Google institutes quarterly company-wide strategy sessions with senior executives and separate sessions to assess the company's performance during the previous quarter. These gatherings are intended both to celebrate the organization's achievements over the course of the quarter and to introduce objectives for the new quarter. Opportunities are provided at these sessions for employees to ask questions of senior leadership about the company's strategic direction and performance. Functional teams supplement this all-hands session with their own department-specific meetings led by senior members.

- Google realizes that not everyone feels comfortable speaking up in a public forum. That's why they conduct a series of regular surveys to solicit input directly from employees on a range of topics. The annual Job Satisfaction
Survey, the Engineering Team survey, the Sales Team Survey and numerous others gather data from employees anonymously. They then draw on those findings to improve and shape their various programs. They publish the high level results for all employees to read on their internal website, and managers are expected to discuss results with their teams.

- Google has an in-house blogging tool that allows employees to start their own blogs. Employees can use these blogs to communicate personal stories, to provide work updates, or to share notes. These blogs can only be accessed internally, and these online forums are yet another way that Google encourages cross-functional interaction across all levels of the organization.

- TGIFs (Thank God, it's Friday) are an informal company-wide weekly get together which include a preview of the week to come, a recap of the week's big events, and a question and answer session. While every week is a little different, the highlight of TGIF is always the Question and Answer section; no question is off-limits. Their team webcasts TGIFs to Google offices around the globe and archives them for those whose time zones or schedules prevent them from attending the meeting in person. Some of Google field offices have taken to hosting their own TGIFs, with senior leaders joining when possible either in person or via video-conference. They encourage all Google employees, regardless of location, to submit questions for TGIF through email if they can't (or opt not to) ask the question in person. Other employees vote on these questions so that the most relevant work their way to the top of the queue.

- In addition to more formal venues, Google's philosophy is reflected in their "whiteboard" culture. Employees start or add to whiteboard discussions on topics ranging from future Google products to life at Google. You'll find these oversize whiteboards all over Google.

- Employees drive Google's product development process. They first release new products and features internally across the company, allowing employees to explore the product and provide feedback to the engineers and managers who developed it.

- Google recognizes that the first few months of a child's life are precious. They provide mothers who've been with Google for over 1 year with 18 weeks of paid bonding leave to spend with their newborn. Fathers are
encouraged to spend 7 weeks of paid bonding leave with their newborn during his/her first year. To support employees while they bond with their newborns, Google provides all employees with 100% of their normal take home pay during maternity/paternity leave.

• Google wants employees to maintain the best possible work/life balance, so they offer flexible work hours, part-time work options, and telecommuting if the specific job allows. A generous vacation policy is provided and a vacation donation program is also used to provide an opportunity for employees to help out their fellow coworkers during a time of need. The program allows employees to voluntarily donate a portion of their accrued vacation hours to another eligible employee in case of an emergency.

• While they maintain more specialized learning programs in virtually every department, the Engineering group has taken the idea of continuous learning to new heights. The Engineering training group, or engEDU, aims to provide Google Engineers with compelling educational opportunities throughout their lives at Google, including everything from orientation classes to mentoring to career development.

• In 2007, Google kicked off their "Candidates@Google" speaker series, inviting 2008 Presidential candidates to stop by headquarters to speak with their employees. In addition to these political luminaries, Google hosts regular Tech Talks where speakers both internal and external present their insights on timely topics. Google's engineering tech talk program is a vital part of their engineering knowledge transfer efforts, and typifies Google's culture, which encourages engineers to air their ideas in an arena composed of highly technical colleagues, who challenge each other to push the boundaries of their thinking.

• In Q2 2007, Google announced a new equity program for employees called Transferable Stock Options (TSOs) - a first-of-its-kind program designed to help employees derive value24 from their options by selling instead of exercising them. "The goal is quite simple," says David Rolefson, Google's Director of Compensation Programs. "It is to increase the perceived value of the option to the employee."

• Google maintains a strong Code of Conduct that it expects all employees to adhere to. To ensure that employees feel safe in reporting any potential violation of the policy, and/or asking questions about an action that might
be construed to be a violation, Google enforces a strict "no retaliation" policy. Retaliation for reporting a possible violation of the Code of Conduct, otherwise making a complaint regarding a possible violation of the Code or participating in any investigation of a possible violation of the Code is strictly prohibited. If a complaint of retaliation is substantiated, appropriate disciplinary action will be taken, up to and including termination. The Code of Conduct, and the No Retaliation Policy both serve to uphold strong ethical behaviour at Google.

• Google places a high value on the opinions of employees. Any employee can approach any manager to discuss any issue. The official policy states: Google desires to maintain a friendly, cooperative atmosphere between employees and all levels of management. Consequently, the Company provides opportunities for you to express yourself without recrimination. If you have a problem with your Manager that, despite your mutual efforts, cannot be resolved, you may discuss this with the next higher level of management or with Human Resources. You may request that the Human Resources person or a co-worker accompany you in an advisory capacity in any meeting. While Google prides itself on being an open organization where you can approach any member of management directly, we recommend you first attempt to resolve the issue through your Manager or Human Resources. If not satisfied, you may then continue the process with the successive levels up to the CEO. Concerns, conflicts and complaints will be carefully considered and facilitated promptly.

• Google encourages employees to volunteer by alerting new Google employees to volunteer opportunities on their first day at orientation. One program that's frequently highlighted is Google Grants, which donates free advertising services to select non-profit organizations.

• Google has initiated a number of programs to do their part to reduce greenhouse gas emissions, to improve energy efficiency, and to support clean energy sources. In 2007, they switched on the solar panel installation at its headquarters. Moreover, the company's benefits package includes a significant incentive for employees to purchase plug-in hybrid cars.

• Events such as seminars, get-togethers, and conferences at Google are themed with colour and creativity - and include the inspiration and imagination of every engaged employee. This allows all the employees to attach a sense of belonging to the workplace as well as to the event.
Over the years, Google has nurtured a work culture where employees are to be quirky and a little irreverent. Worldwide themed "special days" help foster their sense of community and fun.

To round out their first week as Google employees, new employees are recognized at TGIF, Google's all-hands meeting held every Friday afternoon. Sitting in a reserved section at the front of the room, they wear Noogler hats (brightly coloured propeller beanies bearing the word "Noogler") and plaques around their neck displaying fun personal trivia of their choosing. At the beginning of the TGIF program, Google founders Larry Page and Sergey Brin lead a round of applause to welcome the new folks as their names are projected on a large screen. For Nooglers, this TGIF represents one of their first chances to experience the team spirit of Google.

**HR Strategy influencing Business Strategy: An alternate view**

The fact that Google provides a 20% off time to employees for their creative pursuits is an HR practice that has reaped them rich rewards. However, the business implications of such rewards are very limited as compared to their flagship search engine and online advertising services. Notwithstanding, the HR department and the executives still continue to encourage employees for investing effort and time into such projects - the basic idea is that the employees remain motivated and committed to innovation and novelty. The employees get a day every week where they can work on their own, and on the rest of the work week, get back to their official job description of writing complex algorithm and semantic programs for their search engine and Adwords services. The recruitment, on its part, becomes much more diverse with more and more talented minds looking to work for a company which would encourage and pay them for trying to build up a tool which may or may not come out right. This is a very peculiar case of a business strategy being an output of a deliberate HR strategy.

**The Challenge of Recession**

Recession poses the unique challenge to the HR department. Google as an organization is better equipped to handle the recession than most of its competitors simply because the employee satisfaction and commitment at Google is seen much beyond the compensation structure and promotion race - voluntary turnover at Google is much less than the industry average,
and layoffs that have occurred during the current and last quarter have only affected the contractual part time workers. Moreover, Google is expected to release a host of products over the next 2 quarters, and has already invested millions of dollars into acquiring the necessary hardware and satellite systems - indicating the confidence Google has in the relative immunity of its business model to recession.

2. Human Resource Management  Gary Dessler