

**MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE**

**NATIONAL UNIVERSITY OF LIFE AND ENVIRONMENTAL  
SCIENCES OF UKRAINE**

**Department of Production and Investment Management**

**METHODOLOGICAL INSTRUCTIONS**

to study the discipline "**Human resource management**"  
for the training of specialists of Educational degree "Bachelor"  
Branch of knowledge 07 – Management and administration  
Specialty 073 – "Management"

**KYIV – 2023**

## **УДК 005.95 (072)**

The theoretical aspects of personnel management are revealed, methodological recommendations for preparing for seminar classes and lecture notes for self-checking the level of knowledge acquisition by students are presented

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Methodical instructions with a lecture notes for independent work and distance learning of students ED "Bachelor" of Branch of knowledge 07 – Management and administration, specialty 073 "Management", for studying the discipline "Human resource management" using the electronic educational course "Human resource management" on the <https://elearn.nubip.edu.ua/enrol/index.php?id=3498>

## INTRODUCTION

The current stage of economic development in Ukraine requires changes in personnel management, requires consideration of people as the wealth of enterprises, and costs for the formation, motivation, and development of human resources as a special type of investment, which become a long-term factor in increasing the competitiveness and survival of enterprises. The training of competent personnel capable of productive work in market conditions, their rational spatial and structural placement depends primarily on the effective management of human resources.

One of the leading tasks of the enterprise in modern conditions is the effective use of personnel, whose knowledge, skills and abilities, realized in competence, become a competitive advantage in the new business paradigm.

Today, managers of enterprises in most countries of the world pay special attention to the problems of forming a highly productive team, planning, recruiting and selecting employees, creating a rational system of training and professional development, managing business careers and employee turnover, etc. It is on these and other questions that the authors emphasized when preparing these methodological instructions.

The course "Human resource management" refers to the final cycle of disciplines and forms the profile of a future specialist, equipping him with the basics of the theory and methodology of human resource management in the conditions of a market economy.

Since the "Human resource management" course is based on the scientific principles of economics, knowledge of business economics, organization and sociology of work, the basics of management, management psychology, etc., it is advisable to read it in senior years, that is, after students have mastered the knowledge of the listed disciplines.

The contents of Human Resource Management have been developed, therefore, to provide students as well as practicing managers with all-inclusive, multifaceted information in a highly readable and understandable form.

The educational component “Human resource management” belongs to the compulsory disciplines in the speciality Management. The development of team management skills, the ability to develop and implement personnel policies, ensuring purposeful utilization of organizational personnel, and understanding the basics of legal support in personnel management.

**Competencies of the educational programme:**

*General competencies (GC):*

GC11. Ability to adapt and act in a new situation;

GC13. Appreciation and respect for diversity and multiculturalism;

GC15. Ability to act on the basis of ethical considerations (motives).

*Professional (special) competencies (PC):*

PC4. The ability to determine the functional areas of the organization and connections between them.

PC5. Ability to manage the organization and its divisions through the implementation of management functions.

PC6. The ability to act socially responsibly and consciously.

PC7. Ability to choose and use modern management tools.

PC8. Ability to plan the activities of the organization and manage time.

PC13. Understand the principles and norms of law and use them in professional activity.

PC14. Understand the principles of psychology and use them in professional activity.

PC15. Ability to form and demonstrate leadership qualities and behavioral skills.

**Program learning outcomes (PLO) of the educational programme:**

PLO9. Demonstrate interaction, leadership, and teamwork skills.

PLO10. Have the skills to justify effective tools for motivating the organization's personnel.

PLO14. Identify the causes of stress, adapt yourself and team members to a stressful situation, find means to neutralize it.

PLO15. Demonstrate the ability to act socially responsibly and socially conscious on the basis of ethical considerations (motives), respect for diversity and interculturality.

## COURSE STRUCTURE

| Topic   | Hours<br>(lections/laboratory/<br>seminars) | Study results   | Tasks  | Evaluation                   |
|---|---|---|--|------------------------------|
| <b>Semester 6</b>   |   |   |  |                              |
| <i>Module 1. Organizational Behavior and Human Resources</i>                |   |   |  |                              |
| Topic 1.<br>Introduction and<br>course overview                             | 1/2   | Recognize the role<br>of human resources,<br>their particularities,<br>and emergence of a<br>science                                  | Analysis of HR<br>managerial<br>schools,<br>quizzes, self-<br>study in Elearn                            | PC 10 points<br>SS 5 points  |
| Topic 2. HR<br>management and<br>company<br>strategy                        | 2/4   | Assess<br>organizational<br>behavior roots,<br>correlation with<br>strategic<br>management  | Case studies in<br>strategy<br>management,<br>self-study in<br>Elearn                                    | PC 15 points<br>SS 10 points |
| Topic 3.<br>Global<br>organizational<br>behaviour                           | 2/2   | Knowledge on social<br>perception and<br>inclusion.<br>Understand<br>conceptions of<br>cultural diversity<br>and global<br>leadership | Analysis of<br>cultural<br>diversity cases,<br>quizzes, self-<br>study in Elearn                         | PC 15 points<br>SS 15 points |
| Topic 4.<br>Labor market,<br>recruiting,<br>interviewing and<br>selection   | 2/4   | Understand labor<br>marketing,<br>technologies of<br>acquiring human<br>resources   | Case studies of<br>selection<br>approaches,<br>quizzes, self-<br>study in Elearn                         | PC 15 points<br>SS 8 points  |
| Topic 5.<br>Human resource<br>planning                                      | 1/4   | Conduct job<br>analysis, forecast<br>labor capacities and<br>qualifications in a<br>competitive<br>environment                        | Making matrix<br>presentations<br>on human<br>resource<br>planning,<br>quizzes, self-<br>study in Elearn | PC 15 points<br>SS 8 points  |
| <i>Module 2. Engaging of Human Resources and Organizational Citizenship</i> |   |   |  |                              |
| Topic 6. HR<br>motivation and<br>compensation                               | 2/4   | Develop<br>performance<br>management cycle,<br>feedback and reward<br>systems, operant<br>conditioning                                | Case studies of<br>the best<br>motivation<br>practices,<br>quizzes                                       | PC 15 points<br>SS 10 points |
| Topic 7.<br>Training and<br>development                                     | 2/4   | Comparative<br>evaluation of<br>training and<br>development,<br>building business<br>career   | Research on<br>best practices,<br>self-study in<br>Elearn  | PC 15 points<br>SS 8 points  |
| Topic 8. Group  | 2/2   | Recognize group vs.   | Case studies,  | PC 15 points                 |

|                                    |     |  |   |                              |
|------------------------------------|-----|--|---|------------------------------|
| and team effectiveness             |     | teams dynamics and processes, building of high-performance teams | quizzes, self-study in Elearn               | SS 10 points                 |
| Topic 9. HR performance management | 1/4 | Be able to develop and implement basic managerial KPI            | Case studies, quizzes, self-study in Elearn | PC 15 points<br>SS 15 points |
|                                    |     |  |   |                              |
| <b>Total semester</b>              |     |  |   | <b>70</b>                    |
| <b>Exam</b>                        |     |  |   | <b>30</b>                    |
| <b>Total for the course</b>        |     |  |   | <b>100</b>                   |

# **BRIEF CONTENT OF TOPICS OF THE DISCIPLINE " HUMAN RESOURCES MANAGEMENT"**

## **Module 1. Organizational Behavior and Human Resources**

### **Topic 1. Introduction and Course Overview**

1. Understand the meaning of human resources
2. Define the objectives, scope and functions of human resource management
3. Differentiate between HRM and personnel management
4. Enumerate the qualities of HR managers
5. Discuss the future role of HRM

Organizations are managed by people and through people. Without people, organizations can never exist. Indeed, people who make up the human resources of a company are unique and they can make or break an organization, depending upon their level of commitment, contribution and cooperation. Hence, it is relevant to know the intricacies of the term human resources first, before we discuss HR management (HRM) in detail. Different people have defined human resources differently. Box 1.1 showcases the various definitions of human resources.

Human resources are “a whole consisting of inter-related, inter-dependent and interacting physiological, psychological, sociological and ethical components.” – Michael J. Jucius

“From the national point of view, human resources are knowledge, skills and attitude obtained in the population; while for individual enterprises, they represent the total of the abilities, knowledge and skills of its employees.” –Leon C. Megginson

#### **The distinct features of human resources are:**

1. Human resources are the only assets that appreciate over a period while physical resources just depreciate with years.
2. Further, human resources alone can produce an output larger than the input. This is possible due to the creative skills of humans. Creative thinking is the process of

predicting, envisioning and then inventing an idea, concept or insight along innovative and alternative lines. People in the organization are the only basis for such creativity and there is no obvious limit to their imagination.

3. Organizations require human resources of different types to operate all physical resources. Thus, they provide utility value to each one of the physical assets. In fact, the real worth of a physical asset depends on the quality and calibre of the people working with it. An incompetent workforce will spoil the physical resources available to it.

4. There is a growing realization that the flexibility of an organization depends more on people than on any technical factors. Modern equipment may ensure quality and cost competitiveness but the operational flexibility, which is core to product modification and innovation, is provided only by the employees. This is so since humans alone could grasp the situation adequately and respond suitably.

### **Objectives of HRM**

The primary objective of HRM is to take care of the work life of the employees from the time they join the organization to the time they leave it, while ensuring their best possible cooperation in achieving the organizational goals and objectives. This broad objective of HRM can be classified into the following specific ones:

1. To act as a liaison between the top management and the employees
2. To arrange and maintain adequate manpower inventory, which, in turn, ensures the smooth working of the organization
3. To offer training as a way of developing skills, enhancing productivity and, most importantly, increasing individual and organizational performance to achieve the desired results
4. To devise employee, benefit schemes for improving employee motivation and group morale and enhancing employer–employee cooperation
5. To ensure and enhance the quality of work life, which refers to the employees' perception of their physical and psychological well-being at work



6. To help keep up ethical values and behaviour amongst employees both within and outside the organization

### **Scope of HRM**

The scope of HRM is extensive and exhaustive. An understanding of HRM is important to anyone who is employed in an organization. HR issues become important wherever there is a group of workers. Staffing is performed by all the managers as a managerial function, either directly or indirectly through the HR department. All managers are, in this way, HR managers since they get involved in HR activities like choosing, training, inducting, compensating and motivating the employees along with industrial relations activities. Thus, they must understand the scope and application of the personnel policies of their organization in order to ensure that their everyday personnel actions are consistent with those policies as any violation of such policies may get them into confrontations with their subordinates. Further, knowledge of the basics of HRM is important even to non-managerial employees as they may be keen to know the impact of the personnel policies of their organization on their own compensation, training and career growth aspects. Thus, the personnel aspects of management run through the entire organization.

### **Functions of HRM**

HRM functions (also called processes) are carried out by the HR managers to fulfil the goals and objectives of the organization. As illustrated in Figure 1.1, they perform two sets of functions, namely managerial functions and operative functions. The managerial functions are the basic functions performed by the HR managers in their capacity as managers or heads of their own departments. In fact, all managers, irrespective of their departments, perform these functions. The operative functions, on the other hand, are specialized activities performed exclusively by the HR managers, usually for all the departments. We shall first discuss the managerial functions.

## **Managerial Functions**

Functions like planning, organizing, staffing, directing and controlling constitute the core managerial functions of an organization. The specific activities performed under each of these functions are explained as follows:

### **Planning**

It is an effective tool to deal with the future. It involves the process of predetermining the personnel programmes that are necessary to attain the organizational goals. In this context, accurate forecasting is vital to the success of any plan. Planning is such a crucial function for an organization that it is the key to all other managerial functions. The steps involved in planning are

- Establishing goals and objectives to be achieved
- Developing rules and procedures
- Determining plans and forecasting techniques

### **Organizing**

Once the plans are formulated, the next step is to organize the men and material in order to accomplish those plans. Organizing is a process through which the firm establishes its structure and determines the authority, responsibility and accountability of each member in relation to the job. Thus, organizing involves

- Giving each member a specific tasks
- Establishing departments and divisions
- Delegating authority to the members
- Establishing channels of authority and communication
- Creating a system to coordinate the works of the members

### **Staffing**

This function deals with the creation and maintenance of human resources through employment, compensation, benefits, training and development, and industrial relations measures. It aims to put in place HR policies in order to deal with wage fixation,

working conditions, and promotional opportunities for prospective employees. The steps involved in the staff function are

- Determining the type of people to be hired
- Recruiting prospective employees and selecting the best ones from them
- Compensating the employees
- Training and developing the employees
- Setting performance standards and evaluating the employees' performance
- Counselling the employees

### **Directing**

Directing is the sum of several activities like communication, leadership and motivation. Directing, as a function, aims at securing willing cooperation from the individuals and the groups to achieve the predetermined goals. It includes the following activities:

- Getting work done through subordinates
- Ensuring effective two-way communication for the exchange of information with the subordinates
- Motivating subordinates to strive for better performance
- Maintaining the group morale

### **Controlling**

Controlling is the process of checking the efficiency of the individuals and the groups in fulfilling the plans and goals through follow-up measures. It is essential for continuous improvement in the managerial activities. The processes involved in controlling are

- Establishment of standard performance
- Measurement of actual performance
- Comparison of actual performance with the standard one to find the deviation
- Initiation of corrective actions, if there are any deviations

Next, let us look at the operative functions.

### **Operative Functions**

Staffing is one of the managerial functions. But this function is normally performed by the HR managers for all the departments of the firm. In most organizations, the HR department establishes personnel policies and coordinates the HR functions of all the departments. This function is also called the operative function or HRM function. It includes, amongst others, the processes of hiring, training, compensating, appraising and retaining employees, and attending to their labour relations, health and safety, and equality concerns.

Andrews 8 has carried out a detailed study on the functions of HRM and commented: In most organizations, the personnel or HR department establishes policies and coordinates functions such as job analysis, personnel planning, the recruitment and selection of employees, training and development, performance appraisal, compensation and employee benefits, labour relations, employee discipline and control, and occupational health and safety.

### **Procurement**

Procurement refers to a series of activities undertaken by the HR managers for filling the present and future vacancies of the organization. The activities include job analysis and designing, HR planning, recruitment and, finally, the selection of suitable employees. Here, job analysis refers to both the determination of specific tasks and responsibilities connected to a job and identifying the skills, knowledge and abilities required for the job holder. HR planning involves choosing and placing the right person at the right job and at the right time. Recruitment involves gathering a pool of applicants from which suitable employees may be selected. Lastly, selection involves screening, testing, interviewing and hiring the most suitable employees for the organization.

### **Development**

Development here refers to both employees' training and management development. HR managers are responsible for conducting and supervising training and

development programmes for employees. The purpose of a training and development programme is to increase the employees' competencies in their job by improving their knowledge, skills and abilities. Training and development is widely accepted as a method for enhancing the employee skills, increasing the individual and organizational performance, improving the employee morale, and achieving the business growth and success.

### **Compensation**

Compensation refers to the determination of the pay scale and other benefits for the employees. Establishing and maintaining the pay system of an organization is one of the principal jobs of the HR managers. They must devise ways to ensure fair and equitable pay rates. In addition, HR managers should regularly manage the performance evaluation system of the organization, and continuously design reward systems such as performance linked incentive plans and bonus and flexible work schedules.

### **Maintenance**

The maintenance function aims at retaining efficient and experienced employees in the organization. This calls for creative HR practices. In this regard, HR managers are responsible for offering a wide range of HR programmes covering occupational safety, health promotion and physical fitness, canteen facilities, recreation activities, transportation programmes, employee suggestion schemes, career counselling and growth for creating a positive work environment.

### **Integration**

It consists mainly of industrial relations and aims at ensuring good relations between the management and the employees. HR managers have to implement industrial relations programmes that would ensure ethical and fair treatment in disciplinary action, grievance redressal, and career management processes. They should also counsel the employees and the management to prevent and, when necessary, resolve disputes over labour agreements or other labour relation issues. It is to be understood here that the functions of HRM can vary widely from one organization to another, depending upon its

nature, size, and objectives. For instance, a smaller organization may follow a shorter HRM process with a greater emphasis on functions like procurement and compensation and little or no priority for activities like training and development and industrial relations maintenance. On the contrary, large organizations may pursue a longer and more comprehensive HRM process to meet the requirements of both the management and the workforce.

### **HRM and Personnel Management (PM)**

The difference between HRM and PM is a subject of discussion amongst HRM experts. They do not hold identical views about the similarities and dissimilarities between HRM and PM. According to Lowry, 9 for example, PM and HRM are the successive stages of the same concept without any difference in the concept. In his words, “Human Resource Management is just the continuing process of personnel management – it is not different.”

But another HR expert differed with this contention and identified major differences between HRM and PM in the areas of management’s responsibility, skill acquisition, reward management, planning perspective, conflict perception, and so on. 10 Let us look at the similarities first.

### **Qualities of an HR Manager**

HR managers have to perform several roles to discharge their duties and responsibilities. For instance, they have to act as recruiters, placement specialists, training and development specialists, employee welfare experts, employee benefits’ specialists, compensation and job analysis specialists, labour relations experts and human resources information system specialists, apart from being good counsellors. For instance, Armstrong 13 points out that HR practitioners have to play the roles of business partners, strategists, interventionists, innovators, internal consultants, monitors and volunteers (proactive role). The successful performance of the diverse HR tasks would require a multi-disciplinary knowledge for the HR managers. It would be good for them to have a working knowledge in the fields of business administration, law,

behavioural sciences, industrial psychology, sociology, political science, economics, statistics, engineering, finance and computers. Apart from these, they would require the following personal and job-related qualities and skills to become effective performers.

### **Knowledge**

Knowledge helps one gain respect. The HR manager must be an expert in his own field to gain the confidence and respect of his subordinates. He must have a comprehensive knowledge of concepts, principles and theories relating to HRM and other related fields. But, mere possession of this knowledge is inadequate; the HR manager must have practical exposure to these concepts and principles in real-life situations.

### **Intelligence**

Intelligence means the mental ability to properly understand the nature of the problem existing in a situation or event which may require a solution. The HR manager should be able to understand the situation quickly and to act decisively before it becomes unmanageable. He should also be able to properly examine the situation to distinguish the real problems from the ones that are merely made to appear important.

### **Communication Skills**

The role of any manager is to get work done through others. An HR manager is no exception to this. He must have good communication skills to share his ideas effectively with the employees and to persuade them to work towards the organizational goals successfully. Thus, it is essential for the HR manager to have good communication skills to achieve better cooperation and unity. It is also desirable for him to have a functional knowledge of the languages of the employees to effectively communicate with them.

### **The Future Role of HRM**

HRM has been expanding in its area of activities ever since the days when management began to include welfare and personnel departments in the organizational structure. Today, the responsibilities of the HR department have grown to be broader and increasingly pragmatic. Moreover, the advent of economic reforms in the form of

globalization, liberalization and privatization in our country has changed the very profile of organizations. Today, HR managers have to think beyond traditional activities like personnel planning, welfare measures, and industrial relations. The HR managers of tomorrow need to be familiar with the operational aspects of the organizations such as strategic planning, competitive pressures, return on investment, and cost of production, to name a few, besides their own field. In brief, they must be prepared to function from the higher levels of the management in close coordination with the top management in designing and implementing the HR plans and strategies. We shall now discuss the future role and challenges of HR managers.

### **Change in the Nature of Work**

Technological developments are changing the very nature of work. Due to technological advancements, even traditional jobs have become technologically challenging. These changes require the employment of more educated and more skilled workers in these jobs. Further, the service sector, which is fast emerging as the major provider of employment in our country, requires the use of knowledge workers. For HR managers, these developments indicate an increasing importance of human capital and knowledge workers. These new breeds of better-informed employees will expect unconventional and world-class HR practices and systems. HR managers must have plans and strategies to meet the changing expectations of these new-generation employees. They should also be prepared to handle the emerging work culture, which keeps employees more focused on their individual career prospects.

### **Review Questions**

1. Classify and explain the managerial functions of HRM.
2. Evaluate the operative functions of HRM with examples.
3. "HRM is a staff function but a line responsibility." Comment.
4. "HRM is a basic responsibility of every manager." Elucidate.
5. "HRM seeks to achieve personal and social goals." Outline the major functions of HRM.



6. “HR function plays a vital role in the whole scheme of management of an industrial organization.” Discuss.

7. Evaluate the future role of HRM in Ukraine.

8. “HRM involves all management decisions and practices that directly affect or influence the people who work for the organization.” Discuss.

9. Discuss the importance of HRM in the contemporary business environment with special reference to Ukraine.

## **Topic 2. HR management and company strategy**

1. Organizational Behavior’s Roots: Human Relations

2. Strategic Management

3. Strategic Human Resource Management

4. Current Strategic Issues Involving HRM

5. Human Resource Strategic Issues/Questions

A properly conceived HRM strategy allows a timely response to the future HRM needs of companies. Such a response, leaning usually on a companies’ HRM SWOT analysis, can support the strengths of their human resources as well as the strengths of their HRM policy measures, eliminate their weaknesses, face in advance the potential external HRM threats and respond to new HRM external opportunities. The task of the HRM strategy is therefore to clearly define a company's medium-term HRM goals focusing, among other things, on HR development, and to set appropriate tools and measures to achieve them, primarily those whose impact will take some time. The HRM strategy is especially important when HRM can become an important tool for creating the company’s competitive advantage. This quite often concerns small businesses. An important part of the HRM strategy includes a plan of costs and benefits associated with alternative HRM measures. A common practical weakness of HR strategies, on the other hand, is their detachment from the overall business strategy and their rather formal and/or vague nature as well their missing or insufficiently specific measures to achieve

their HR goals. In these cases, the HR strategy lacks its efficiency and effectiveness. The aim of the paper is to point out the importance and requirements of an effective and efficient HRM strategy and to establish an overall as well as sufficiently detailed methodology on which creating the effective and efficient HRM strategy is based. The main focus is related to the HRM strategy of emerging and small businesses as a tool of their competitive advantage.

According to the interviews, the success of a newly established company depends on its ability to conceive a relevant and realistic HRM strategy. The main characteristics of this strategy contributing to the company's success, especially in early stages of business development, can be summarized as follows.

The starting point of a successful HRM strategy involves its medium-term business goals. Linkage to the company's strategy is a key prerequisite for a properly defined HRM strategy; on the contrary, its detachment from the company's overall strategy is one of its most serious weaknesses.

An HRM strategy should set out key HR assumptions on which the fulfilment of the company's objectives will be based, identify corresponding medium-term HRM objectives (sorted usually by individual HR processes) and propose HRM tools or measures ("HR policies") leading to their achievement.

A successful HRM strategy structure should follow the above mentioned guidelines.

The basic scheme of HRM, corresponding usually to the main steps of its creation, consists of five main areas, namely:

- a long-term HR vision of the company containing its basic values or credo. This part of the HR strategy is primarily of motivational and communication importance,
- medium-term HR prerequisites necessary for the fulfilment of the company's strategic business goals,
- characteristics (or a critical analysis) of the current HR status of the organization, its strengths and weaknesses and development trends. This step is used to assess which

of the HR prerequisites for successful future development the organization should focus on,

- specific HRM goals of the company and measures, HR policies, or their variants, on the basis of which these goals will be achieved. This set of objectives should also include ways to evaluate them,

- a tactical plan, setting out sub-tasks, their deadlines and responsibilities for their fulfilment. The main HR goals are assigned to individual departments or persons, and the resources that will be released to achieve the goals and the way in which the fulfilment of the goals will be controlled are determined.

The core of the HRM strategy includes the second, the third and the fourth points, which can be seen as an HRM strategic plan. It is also the starting point for continuously updated annual staffing plans.

The strategic HRM plan of the organization should ideally be divided into five to six areas, corresponding to the main sections of HRM. They consist of a medium-term plan of HR costs, new personnel need and recruitment requirements (or, as the case may be, dismissal of employees), motivation and remuneration, skills development, performance management (setting personal performance goals and their regular evaluation), or a plan of corporate values and corporate culture.

### **Medium-term HRM assumptions of corporate goals**

The starting point for the medium-term HRM strategy encompasses the HR assumptions/prerequisites necessary for the fulfilment of the company's strategic business goals and/or its future market success. The basic tool for their definition is the organization's strategic SWOT analysis [17] identifying the main factors of future competitive advantages of the company. Examples of these can involve, for example, high quality and reliability of production, low price, an ability to adopt rapid technological or product innovations, an individual/personal approach to customers, etc.

More specifically, the medium-term HR assumptions of the company should relate to all basic HRM areas, i.e. the number of employees, their structure, skills and

motivation, their costs, how these employees will need to be managed (for example, what powers will need to be delegated), what organizational structure will be most suitable for the company, what elements of corporate culture will be relied on, etc.

Determining the HR prerequisites that will be needed to fulfil the corporate strategy is, according to most of the entrepreneurs questioned, not only the initial, but also the most important part of the HRM strategy. It is therefore important that the people who create the HRM strategy (if it is not created by the entrepreneurs themselves) understand the critical factors of the future success of the company well.

### **Differences in HRM assumptions of different business strategies**

HRM assumptions of different business strategies can differ significantly and therefore cannot be mechanically taken over from other companies. For example, HRM assumptions corresponding to the strategy of the lowest possible costs and/or prices will be significantly different from the assumptions required by strategies based on an individual approach to customers or rapid innovation capacity. This may be illustrated by specific examples which the research, or enquiry, revealed. For an organization whose competitiveness is based on technological innovations and their rapid introduction to the market, i.e. a company operating in the field of new technologies, the main HRM prerequisites include the ability to acquire, retain and use top talent and ensure their further development. In a company of this type, the long-term need to acquire and retain these employees may take precedence over the (short-term) effort to save on their costs. Financing their development should therefore not decrease even in periods of reducing business costs. Another HRM assumption may relate to their remuneration: the basic and starting salaries of individual employees working in equally qualified positions in these conditions may differ significantly depending on their personal abilities or contribution to the creation and introduction of new products. On the other hand, HRM prerequisites of a company with a decisive emphasis on reducing and controlling operating costs (for example, companies facing strong price competition) will be significantly different. The determination of basic and starting

salaries should be based primarily on the requirements of internal equality in remuneration and group motivation. The reason is that teamwork and group performance are usually more important here than the individual contribution or performance of each employee. Differences in the level of basic salaries therefore lack economic justification (individuals with a higher price do not pay) and may also be a threat to teamwork.

### **Review Questions**

1. What is meant by 'strategy'? Explain the meaning of 'first-order' and 'second-order' strategies.
2. Explain Purcell's statement that 'trends in corporate strategy have the potential to render the ideals of HRM unobtainable'.
3. 'Business-level strategies may be constrained by human resource issues but rarely seem to be designed to influence them.' Discuss.
4. What does a 'resource-based' SHRM model of competitive advantage mean? What are the implications for HRM of this competitive strategy?
5. What are the linkages, if any, between SHRM, leadership and learning?

### **Topic 3. Global organizational behaviour**

1. Societal Culture and Organizational Behavior
2. Ethnocentrism and Models of Cultural Diversity
3. Other Cultural Differences
4. Human Capital Management Issues

#### **Organizational Behavior**

**Organization** - a consciously coordinated social unit, composed of two or more people, that functions on a relatively continuous basis to achieve a common goal or set of goals.

**Organizational Behaviour** - According to Stephen P Robins, "Organizational Behaviour as a systematic study of the actions and attitudes that people exhibit within the organizations."

“What is organizational behavior and why does it matter to me?” We will define organizational behavior (OB) very shortly, but first let us begin with the end in mind—why OB matters, and what the study of OB offers you. Historically, business school coursework on human behavior in organizations has received relatively little attention. This might be surprising to you, because you might be thinking, but “the people make the place”; organizations are only as effective as the people who comprise them. Should we not try to understand people in the workplace, as well as how we make decisions, communicate, and interact with one another? Over the last several decades, business schools and organizations have realized the significant role interpersonal skills play in determining a manager’s effectiveness. Understanding OB is important to you now, more than ever. We are in the midst of an OB revolution, of sorts, that is gaining traction year by year. As noted in the 2016 Deloitte Global Business Trends report, organizations have figured out that they need to understand “what makes people join, perform well in, and stay with an organization; who will likely be successful; who will make the best leaders; and what is required to deliver the highest-quality customer service and innovation.”

### **Management and organizational behavior**

More than ever, individuals are placed into management positions without sufficient management training or informed experience. According to the US Bureau of Labor Statistics, employers with 100–500 employees provide less than one hour of management training per six-month period, on average. Furthermore, according to a large-scale survey, more than 58 percent of managers reported they had not received any training and 25 percent admitted they were not ready to lead others when they were given the role.<sup>14</sup> Added to that challenge, the demands of the job have increased: The average manager has seven direct reports (five was once the norm) and spends less time supervising them than managers of the past. Considering that a Gallup poll found organizations chose the wrong candidate for management positions 82 percent of the

time,<sup>16</sup> we conclude that the more you can learn about people and how to manage them, the better prepared you will be to be that right candidate. OB will help you get there.

### **Effective Versus Successful Managerial Activities**

What makes one manager more effective than another? To answer this question, Fred Luthans, a prominent OB researcher, and associates looked at what managers do from a unique perspective. They asked, “Do managers who move up most quickly in an organization do the same activities and with the same emphasis as managers who do the best job?” You might think the answer is yes, but that is not always the case. Luthans and associates studied more than 450 managers. All engaged in four managerial activities:

1. Traditional management. Decision making, planning, and controlling.
2. Communication. Exchanging routine information and processing paperwork.
3. Human resources (HR) management. Motivating, disciplining, managing conflict, staffing, and training.
4. Networking. Socializing, politicking, and interacting with outsiders

The “average” manager spent 32 percent of their time in traditional management activities, 29 percent communicating, 20 percent in HR management activities, and 19 percent networking. However, the time and effort different individual managers spent on those activities varied a great deal. Among managers who were successful (defined in terms of speed of promotion within their organizations), networking made the largest relative contribution to success and HR management activities made the least relative contribution. Indeed, other studies in Australia, Israel, Italy, Japan, and the United States confirm the link between networking, social relationships, and success within an organization. However, Luthans and associates found that among effective managers (defined in terms of quantity and quality of their performance and the satisfaction and commitment of their employees), communication made the largest relative contribution and networking the least. The connection between communication and effective managers is also clear. Managers who explain their decisions and seek information from

colleagues and employees—even if the information turns out to be negative—are the most effective.

**Organizational behavior** (OB) is a field of study that investigates the impact that individuals, groups, and structure have on behavior within organizations for the purpose of applying such knowledge toward improving an organization's effectiveness. That is a mouthful, so let us break it down.

OB is a field of study, meaning that it is a distinct area of expertise with a common body of knowledge. It focuses on three determinants of behavior in organizations: individuals, groups, and structure. In addition, OB applies the knowledge gained about individuals, groups, and the effect of structure on behavior in order to make organizations work more effectively.

To sum up our definition, OB is the study of what people do in an organization and the way their behavior affects the organization's performance. Because OB is concerned specifically with employment-related situations, it examines behavior in the context of job satisfaction, absenteeism, employment turnover, productivity, human performance, and management. Although debate exists about the relative importance of each, OB includes these core topics:

- Motivation
- Leader behavior and power
- Interpersonal communication
- Group structure and processes
- Attitude development and perception
- Change processes
- Conflict and negotiation
- Work design

**Globalization** - the process in which worldwide integration and interdependence is promoted across national borders.



Globalization has led organizations, leaders, and employees to become increasingly connected across the globe, now more than ever. Samsung, the largest South Korean business conglomerate, sells most of its products to organizations in other countries; Burger King is owned by a Brazilian firm; and McDonald's sells hamburgers in 101 countries on six continents. Although globalization united the international community following the second World War, the slow recovery from the global financial crisis has caused much of the world's population to be embittered by globalization. In modern times, the world is at a tension point in which societies are choosing between sectioning off their economies versus remaining open to the world, given how globalization can change the employment landscape rapidly for many communities, sometimes resulting in poverty and economic inequality. Meanwhile, we are on the brink of a new Industrial Revolution that has disrupted many industries and left many without jobs. One of the new challenges of this tide of globalization is to forge cooperation between the public and its constituents, and between organizations and their employees across the globe, to pursue the public good with social responsibility in mind.

### **Working with people from different cultures**

In your own country or on foreign assignment, you will find yourself working with bosses, peers, and other employees born and raised in different cultures. What motivates you may not motivate them. Or your communication style may be straightforward and open, which others may find uncomfortable and threatening. To work effectively with people from different cultures, you need to understand how their culture and background have shaped them and how to adapt your management style to accommodate these differences.

### **Adapting to differing cultural and regulatory norms**

To be effective, managers need to know the cultural norms of the workforce in each country where they do business. For instance, in some countries a large percentage of the workforce enjoys long holidays. There are national and local regulations to consider, too. Managers of subsidiaries abroad need to be aware of the unique financial and legal

regulations applying to “guest companies” or else risk violating them. Violations can have implications for their operations in that country and for political relations between countries. Managers also need to be cognizant of differences in regulations for competitors in that country; many times, understanding the laws can lead to success or failure. For example, knowing local banking laws allowed one multinational firm—the Bank of China—to seize control of a storied (and very valuable) London building, Grosvenor House Hotel, from the owner, the Indian hotel group Sahara. Management at Sahara contended that the loan default that led to the seizure was a misunderstanding regarding one of their other properties in New York. Globalization can get complicated.

### **Workforce Demographics**

The workforce has always adapted to variations in the economy, longevity, birth rates, socioeconomic conditions, and other changes that have a widespread impact. People adapt to survive, and OB studies the way those adaptations affect individuals’ behavior. For instance, even though the 2008 global recession ended many years ago, some trends from those years are continuing: many people who have been long unemployed have left the workforce, while others have cobbled together several part-time jobs or settled for on-demand work. Further options that have been particularly popular for younger educated workers have included obtaining specialized industry training after college, accepting full-time jobs that are lower level, and starting their own companies.

OB researchers study how people from diverse backgrounds fare in the workplace and the unique challenges and benefits they experience as well as how their conditions can be improved. This is just one illustration of how cultural and socioeconomic changes affect the workplace, but it is one of many.

### **Workforce Diversity**

One of the most important challenges for organizations is in managing increasing workforce diversity, a trend by which organizations are becoming more heterogeneous in terms of employees’ gender, age, race, ethnicity, sexual orientation, and other

characteristics. Though we have more to say about it in the next chapter, diversity presents great opportunities and poses challenging questions for managers and employees. How can we recognize the strengths in our diversity? Should we treat all employees alike, or adapt to accommodate each other's differences? What are the legal requirements in each country that protect workplaces from prejudice, discrimination, and inequality? Does workforce diversity lead to positive outcomes for employees and organizations? It is important to address the spoken and unspoken concerns of organizations today.

### **Social Media**

As we discuss in the chapter on communication, social media in the business world is here to stay. Despite its pervasiveness, many organizations continue to struggle with employees' use of social media in the workplace. For instance, in February 2015, a Texas pizzeria fired an employee before the first day of work because of an unflattering tweet about the job. In December 2014, Nordstrom fired an Oregon employee who had posted a personal Facebook comment seeming to advocate violence against police officers. These examples show that social media is a difficult issue for today's managers, presenting both a challenge and an opportunity for OB.

### **Positive Work Environment**

A growing area in OB research is positive organizational scholarship (POS; also called positive organizational behavior), which studies how organizations develop human strengths, foster vitality and resilience, and unlock potential. Researchers in this area say too much of OB research and management practice has been targeted toward identifying what is wrong with organizations and their employees. In response, they try to study what is good about them. Some key subjects in positive OB research are engagement, hope, optimism, and resilience in the face of strain.

Although positive organizational scholarship does not deny the value of the negative (such as critical feedback), it does challenge us to look at OB through a new lens, pushing organizations to make use of employees' strengths rather than dwell on

their limitations. One aspect of a positive work environment is the organization's culture, the topic of the chapter on organizational culture. Organizational culture influences employee behavior so strongly that organizations have employed "culture officers" to shape and preserve the company's personality.

### **Ethical Behavior**

In an organizational world characterized by cutbacks, expectations of increasing productivity, and tough competition; it is not surprising many employees feel pressured to cut corners, break rules, and engage in other questionable practices. Increasingly they face ethical dilemmas and ethical choices in which they are required to identify right and wrong conduct. Should they "blow the whistle" if they uncover illegal activities in their companies? Do they follow orders with which they do not personally agree? Should they "play politics" to advance their careers?

Today's manager must create an ethically healthy climate for employees in which they can do their work productively with minimal ambiguity about right and wrong behaviors. Companies that promote a strong ethical mission, encourage employees to behave with integrity, and provide strong leadership can influence employee decisions to behave ethically. Classroom training sessions in ethics have also proven helpful in maintaining a higher level of awareness of the implications of employee choices as long as the training sessions are given on an ongoing basis. In upcoming chapters, we discuss the actions managers can take to create an ethically healthy climate and help employees sort through ambiguous situations.

### **Review Questions**

1. Define organization behavior.
2. What do you mean by ethical behaviour?
3. Explain the meaning of learning.
4. Define learning organization.
5. What do you understand by organization behavior? Also explain its relationship with other related fields.

6. Define ethics. Describe the ethical behavior expected by the stakeholders in the organization.

#### **Topic 4. Labor market, recruiting, interviewing and selection**

1. Features of Job Analysis
2. Sourcing and Recruiting
3. Selection and Staffing
4. Interviewing
5. Thoughts re: the Candidate (You)
6. Selection

#### **Features of Job Analysis**

From the definitions in the preceding section, we can list out the features of job analysis as follows:

- Job analysis is a process of gathering relevant information about various aspects of a job and is concerned with the identification of tasks required to be performed as part of it.
- It approaches the task of defining the role, context, conditions, human behaviour, performance standards, and responsibilities of a job systematically.
- It helps in establishing the job's worth to an organization. In other words, it measures the value and contribution of a job to the growth of the organization.
- It establishes job relatedness, which is a crucial input for HR decisions involving recruitment, selection, compensations, training, health and safety.
- It assists in the resource management and strategy formulation process of the organization to help it achieve its business goals and objectives effectively.
- It helps in developing a job profile for each job and acts as the basis for developing job description and specification statements.
- It helps in identifying the appropriate job for each employee so that the skills and knowledge of these employees are utilized for the growth of the organization effectively.

- It facilitates the process of understanding the impact of environmental changes on individual jobs.

- It assists the organization in identifying and removing the unnecessary skills and other requirements for a job. This helps in simplifying the eligibility for the job and also in ensuring equal opportunity for all in employment.

- It enables the organization to attempt job improvements through job reengineering and job enlargement to provide enhanced motivation and satisfaction for employees.

### **Important Terms in Job Analysis**

As discussed earlier, job analysis encompasses almost every aspect of the job being analysed. We shall first familiarize ourselves with key concepts ahead of a detailed discussion of the different dimensions of job analysis.

#### **Job**

It means a role performed by a person in an organization. Normally, a job comprises several related tasks required to be performed as part of it. Each job is defined by the duties, responsibilities and accountabilities associated with it and the knowledge and skills required to perform it. Obviously, each job is known by its title or alternative title. Sales managers, accountants and nurses are a few examples of such jobs.

#### **Task**

A task is an act which is performed as part of a job. It is a distinct unit of work and yet forms an element of a job. It is carried out through a combination of methods, procedures and techniques. For instance, planning is one of the tasks of the manager.

#### **Duty**

It is an obligation for a worker to do a job as part of a legal or moral reason. It specifies the different tasks needed to be performed as part of a job. For instance, issuing reservation forms, collecting the filled-in forms together with the money, booking reservations, and tendering the reserved tickets along with the balance money are the duties of a reservation clerk.

## Position

It is the place of an employee in the organization structure and is commonly known by the relevant job title. It represents the combination of tasks and duties performed by the employee in a predetermined job location. Sometimes, same positions might indicate different but equivalent jobs performed in an organization. For instance, a cash clerk might deal with the receipt and disbursement of cash, a bill clerk might deal with bills of exchange, and an accounts clerk might be in charge of accounts-keeping and maintenance.

## Job Design

In a simple sense, job design is the division of the work of the organization among its employees. It is basically a combination of the job content and the work method adopted in the job. Job content states the tasks to be performed as part of the job while the work method deals with the mode of performing the job. Certainly, a well-designed job can have a definite impact on the performance of the job and its contribution to the overall growth of the organization. It can also make the work experience of the employees more rewarding and productive. On the other hand, a poorly designed job often causes difficulties in strategy formulation and also in the proper alignment of various functional activities. Thus, the basic aim of a job design is to clearly establish the role of each job and the job holder in the overall system of an organization.

## Benefits of Job Design

Job design has the following benefits:

- It enables the organization to develop a competent, dynamic and responsive workforce.
- It ensures that the customers get high-quality goods and services without any delay and interruptions.
- It helps the firm in achieving cost reduction by eliminating the causes of accidents and injuries through enhanced health and safety measures.

- It enhances the employees' satisfaction, motivation, involvement and commitment, leading to improved cooperation between the management and the employees.

- It offers wide opportunities to the employees to convey their views and opinions to the management through participative management programmes.

- Its implementation often requires the employees to undergo periodic training to upgrade their skills and thus helps them in their career growth.

- It contributes effectively to the organizational effectiveness and, as a result, to the competitiveness of the organization in the market.

### **Recruitment**

Recruitment provides the first contact for an organization with its potential employees. An organization must have an effective recruitment policy and process to inform candidates about the job openings and persuade them to apply for the available positions. The efficacy of the recruitment process may be measured in terms of the quality and quantity of the applicant pool (the grouping of applicants based on the type of job) created by it. A good recruitment strategy should inform qualified individuals about employment opportunities, create a positive image of the company, provide enough information about the job so that applicants can make comparisons with their qualifications and interests, and also generate enthusiasm among the best candidates so that they may apply for the available positions. Thus, recruitment needs to attract not just candidates but qualified candidates who meet the expectations of the firm. We shall now see the meaning of the term recruitment before discussing recruitment policy and process in detail.

“Recruitment means attracting candidates, which is primarily a matter of identifying, evaluating and using the most appropriate source of applicants.”

— Michael Armstrong

“Recruitment is the process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an organization.”



— Edwin Flippo

### **Features of Recruitment**

The characteristic features of recruitment may be classified as follows:

- It is a positive act since it attempts to encourage potential applicants to seek jobs in the firm.
- It is not a single task; rather, it involves a series of planned activities.
- It represents the first contact that an organization has with its potential employees.
- It proposes to develop an applicant pool in the desired hiring ratio (the number of applicants for a job) to ensure an effective selection procedure.
- It aims to discover and determine the sources of manpower to be utilized in tune with the strategic goals of the organization.
- It intends to locate and reach out to the potential applicants, wherever they are, and offers an incentive to stimulate them to apply for the vacancies offered.
- It is a function that calls for continued contact between the organization and the community as the latter makes the requisite human resources available to the former.

### **Recruitment Organization**

In a small organization, line managers may handle all aspects of human resources work on their own. But as the organization grows in size, they may find it difficult to carry out personnel duties in addition to their routine work and may devote insufficient time to this kind of activity. Consequently, large organizations usually establish separate HR departments and centralize HR activities like recruitment.

In such a situation, the HR department first receives the request for recruitment from line managers of the operating departments and then, after considering the request duly, begins the process of recruitment to fill the vacancies in these departments.

Centralized recruitment has many advantages for the organization:

- It ensures uniformity in the recruitment policy of the organization.
- It helps reduce cost since the administrative costs can be kept to a minimum; for instance, by placing common advertisements for all vacancies.

- It ensures the best possible utilization of the expertise of the HR professionals of the organization.
- It can avoid personal bias and prejudice in the process of recruitment and selection.
- It facilitates the maintenance of the centralized talent pool to cater to the needs of different departments.
- It allows line managers to devote more time to operational activities.

### Steps in the Recruitment Process

Merely placing an advertisement or employing professional agencies to recruit candidates does not complete the recruitment process. There are several important steps involved in the whole process. We shall now discuss these steps in detail.

Human Resources Planning

Determination of Strategy

Evaluation of the Sources of Recruitment

Implementation of Recruitment Methods and Strategies

Feedback and Control

### **Sources of Recruitment**

Developing different sources of recruitment is essential for an organization. When the organization is successful in gathering a large applicants' pool, it can adopt a rigorous procedure in choosing the best employees from such a pool without compromising on quality. However, there is no single combination of resources and methods that will work well for all organizations or, for that matter, across all labour markets, or even within a labour market. Thus, an organization should use multiple recruitment sources to build its applicants' pool.

### **Internal Sources**

Internal recruitment usually refers to filling open jobs with the current employees of the organization. It is a process designed to create sufficient interest among the current employees to cause them to formally indicate an interest in a given position. The

position applied for may represent a promotion, a transfer, or even a demotion in a few cases. It is to be understood here that there must be an active and voluntary participation of the existing employees in the process of recruitment to call it an internal recruitment. Internal sources normally consist of the existing employees, the former employees, and employee referrals. Each of these sources has been discussed here briefly.

### **External Sources**

The external sources of recruitment refer to reaching out to the external labour market to meet the labour requirements. They are huge, diverse, and important for recruitment. Tapping these sources calls for careful planning and proper execution by the organization. The following are the important external sources:

Employment Exchanges

Outsourced to Recruitment Agencies

Advertisements

Campus Recruiting

Walk-ins and Write-ins

Internet Recruiting

### **Selection**

Once the applicant pool is prepared, the next step for the HR department is to implement the predetermined selection process in order to select the best candidate for the job. The aim of this process is to finally end up with candidates best suited for the vacant jobs. The organization must be able to distinguish the applicants who are most likely to perform well as employees from the others who are less suitable.

### **Differences Between Recruitment and Selection**

Though the terms recruitment and selection are often treated as interchangeable, there are differences between the two terms. Though few, they are worth mentioning. As there is no commonly accepted selection process available, organizations may have to adopt different selection processes for different jobs, depending upon their nature and requirements. Nonetheless, the aim of any selection process is to gather relevant and

critical information about an applicant at every stage of the process in order to determine his/her suitability for the job offered.

A good selection process must be able to distinguish applicants who are likely to perform well in the job from those who are not. An organization adopts various steps in the selection process to predict the likely performance of each applicant in the job. These steps are briefly presented as follows:

1. **Employment Application Forms/Blanks:** These refer to a standardized format to collect the necessary information about an applicant to determine his suitability for the job.

2. **Selection Test:** This is a psychological test for comparing and contrasting the behaviour of two or more persons on the basis of a standardized measure in order to predict their likely job performance, if selected.

3. **Selection Interview:** This is a face-to-face conversation with the candidate to collect the required information that could not be collected through other selection tools to determine his suitability for a job.

4. **Reference Check:** This is a process of cross-checking information provided by the candidates in different stages of the selection process with the references cited by the candidates themselves.

5. **Physical Examination:** This is a medical test to ensure that the candidates selected meet the physical requirements of the job.

6. **Job Offer:** A job offer is a formal communication from the employer to the selected candidate that specifies the details of an offer of job. This job offer generally provides information about job description, reporting authority, pay particulars, and leave eligibility.

### **Employment Application Forms/Blanks**

The purpose of an application form is to collect the necessary information about an applicant in a short span of time. These bits of information are extremely useful in determining the suitability of the applicants for the job and also in predicting their likely

job performance, if chosen. Therefore, the information collected must be relevant, reliable and accurate for decision-making. To achieve this, the application form must be prepared carefully and reviewed regularly to ensure the reliability and validity of the information gathered.

Application forms normally solicit the following information from the candidates:

a) Biographical information includes the name of the applicant, father's name, date of birth, age, gender, nationality, physical features (height, weight, and so on), marital status, identification marks, and family details.

b) Educational qualifications such as courses completed, year of passing, subjects studied, and percentage of marks secured, division or rank obtained, name of the educational institutions, and scholarship awarded.

c) Work experience like positions held, tenure in each position, nature of job, pay and other benefits, details about the present and previous employers, explanation for break in employment.

d) Pay and other perquisites such as information about candidate's expectation about salary and other benefits.

e) Additional information like participation in sports, games, cultural activities, nation building activities such as NSS, NCC, and honours obtained.

f) References Names and addresses of a few references that have knowledge about the applicant and who may be contacted by the organization, if required.

### **The Selection Interview**

The selection interview is one of the most widely used means of collecting necessary information about applicants. In fact, it is an indispensable part of any selection procedure. It provides an opportunity for the employer to have a face-to-face interaction with the candidate. It is used for gathering information that has not been collected through other selection tools. The organization may require one or more interviews for an applicant, depending upon the nature and number of job vacancies. Let us now see how different authors have defined the term interview.

An interview can be defined as “a selection procedure designed to predict future job performance on the basis of applicants’ oral responses to oral inquiries.” Or, “as a purposeful exchange of ideas, the answering of questions and communication between two or more persons.”

In other words, an interview is a face-to-face conversation to collect information from a candidate to determine his suitability for a job.

### Objectives of an Interview

Though the primary purpose of an interview is to predict an applicant’s likely performance in the job, it helps the organization in several ways. Some of the main objectives of interview are:

- It fills the information gap in the personnel selection process. In other words, it can supplement application forms and selection tests effectively by gathering additional information necessary for determining the suitability of a candidate for the job.
- It enables an organization to establish a direct and personal contact with the applicant to verify the information obtained through other sources.
- It facilitates a two-way communication process. The organization can mutually exchange information with the candidate to reach a better understanding and an enduring relationship.
- It provides a platform for the organization to create goodwill in the labour market by offering good hospitality, courtesy and personal care to the applicants.

### **Kinds of Interview**

Interviews have the capability to serve different purposes of different persons. For instance, they are useful not only for selecting an employee but also for knowing the reason for an employee leaving the organization (exit interview). The common forms of selection interview, listed are as follows:

Structured Interview

Unstructured Interview

In-depth Interview

Stress Interview

Panel Interview

Computerized Interview

### **Job Offer**

The last step in the process of selection, in practice, is intimating the candidates about their provisional selection. A job offer (an appointment order specifying the terms and conditions of employment) is issued to the candidates who have been successful at the end of selection process. Once the employee positively responds to the offer of employment, the process of integrating that employee into the job is set in motion. However, an applicant's decision to accept or reject a job offer is influenced by the presence or absence of the following factors:

- Alternative job opportunities available, including the number and nature of alternative opportunities
- Job attraction like the nature and extent of supervision, work schedule, and the amiability of co-workers
- Positive features of the company such as pay and benefits, advancement opportunities in career, and the company's reputation as a good place to work
- Recruitment activities like the manner in which the candidate is recruited and in which the information is conveyed to the candidate.

### **Review Questions**

1. Examine critically the steps in the job analysis process with relevant examples.
2. Discuss in detail the uses of job analysis in human resource management.
3. Describe the different techniques available for data collection in job analysis.
4. Explain the steps in the process of recruitment.
5. What are the key recruitment practices followed in Indian organizations?
6. Enumerate the kinds, merits and limitations of the various internal sources of recruitment.
7. Evaluate critically the steps in the selection process.

8. Discuss the characteristics and types of psychological tests.
  9. Analyse the merits and limitations of psychological tests as a tool of measurement.
  10. Explain briefly important interview techniques used for selecting supervisory and managerial staff.
6. What are the various hurdles in a selection procedure?

### **Topic 5. Human resource planning**

1. Understand the significance of human resource planning
2. List the factors affecting human resources planning
3. Elucidate the process of human resources planning
4. List the barriers to effective human resource planning

### **Characteristics of Human Resource Planning**

The main focus of human resource planning is on choosing the required number and types of personnel for appropriate jobs in a cost-effective way. The following are its characteristics:

- HR planning aims at fulfilling corporate strategies and goals through effective utilization of human resources. As such, it is effectively aligned with the business strategies of the organization.
- It is not a solitary act; rather, it is a process involving a series of related activities carried out on a continuous basis.
- It not only meets the short-term HR requirements of an organization but also determines its long-term strategies and future directions from the HR perspective.
- It is a logical and efficient decision-making activity involving systematic analysis of data gathered in a scientific manner. Thus, it is neither a haphazard nor an ad hoc activity.
- It emphasizes both the quantitative (number of personnel) and the qualitative (nature of personnel) dimensions of human resources at every stage.



## **Significance of Human Resource Planning**

Until a few decades ago, organizations considered human resource planning neither essential nor inevitable. In fact, it received much less attention in the overall planning of an organization. This is because firms, in those times, had a relatively stable external environment. The presence of factors like manageable competition, sluggish progress in technologies, and traditional and regionally concentrated labour force created an environmental certainty for those organizations.

However, in the subsequent period, the external environment has undergone several changes and is thus causing a lot of uncertainty to the organizations. For instance, developments like globalization, intensified competition, changing characteristics of the labour force, government interventions and a plethora of laws have created an unstable environment for business. This environmental uncertainty has enhanced the need for and importance of HR planning in the organizations.

Contemporary HR planning is mainly concerned with the effective deployment of the precious human resources of an organization. An organization first establishes its strategic goals like gaining competitive advantage, expansion programmes, enhancing organizational effectiveness and employee satisfaction. Depending upon the chosen goals, it develops and executes specific HR plans and programmes. These programmes include, among others, recruitment and selection, training, compensation, and performance management. On the whole, HR planning is now an effective means of accomplishing the business strategies of the organization.

### **Assessing Future Recruitment Requirements**

The fundamental purpose of HR planning is determining the number and nature of personnel required by an organization to meet its objectives and strategies successfully. Thus, identifying the future manpower requirements of an organization is a key element in the HR planning process of a firm. HR plans can provide fairly accurate information about the personnel requirement of an organization over a definite period.

## **Optimum Utilization of Available Human Resource**

Employees are the precious asset of an organization. HR planning helps in achieving cost- effectiveness by optimizing the utilization of this asset. In contrast, the lack of human resource planning often results in under- utilization of human resources and, thus, pushing up the cost of labour. In fact, one of the primary purposes of HR planning is the minimization of employee cost and maximization of employee efficiency and involvement. HR planning constantly assesses the HR requirements of different departments to identify the surplus and shortage of manpower in them. It also estimates their future requirements on the basis of precise records and forecasting techniques. Finally, it allocates or reallocates human resources to different departments to ensure their best possible deployment. Similarly, HR planning also helps in preventing the wastage of physical assets that may be caused by the sudden shortage of human resources.

### **Factors Affecting Human Resource Planning**

Human resource planning is influenced by a variety of factors. Some of these are external in nature while others are internal. These factors are: the strategy of the organization, the culture of the organization, the competitive and financial environment, the current organizational situation, and the need for human resources including skills levels and quality. We shall now discuss these factors in detail.

#### **Strategy of the Organization**

Strategy formulation indicates the response of an organization to the developments in the external environment. The nature and type of response would indicate the strategy of the organization. Certainly, these strategies are capable of providing a new direction to an organization. For instance, an organizational strategy may aim at mergers, acquisitions, product line expansion, and new market entry or product revival in the market. For effective accomplishment, the organizational strategies should be aligned well with the functional strategies like marketing strategies, finance strategies, and human resource strategies. In the last stage, each individual and the group should be

made responsible for achieving the aims for which the organizational strategies were set up.

In accordance with the business strategies, an organization should develop human resource plans for a definite period. The HR department should, in turn, prepare specific HR strategies like recruitment strategy, selection strategy, training strategy and compensation strategy based on those HR plans. As such, business strategy becomes the critical input for the HR plans and programmes of the organization.

### **Culture of the Organization**

The culture of a group is a set of beliefs, values, thoughts, assumptions and, traditional practices shared by the members of a group—society or region. By extension, the organizational culture is the commonly held beliefs, attitudes and values that exist within an organization for a relatively long duration and are shared by its members. Within a culture, sub-cultures based on age, ethnicity, gender, and regional affiliations may also exist. These cultures and sub-cultures shape the personality of the members of the organization by influencing their thoughts, emotions, motives, attitudes and behavioural patterns.

In fact, the role of organizational culture in the development of business strategies and functional strategies is remarkable. Certainly, the organizational culture influences the values systems and the decision-making patterns of an organization. The primary functions of the organizational culture are formalization and adaptation of decisions, combination of activities, and ensuring employee motivation and decision implementation. Thus, cultural change is an essential prerequisite for carrying out the strategic plans and changes. By revamping its culture and sub-culture, an organization can create a perfect fit between the organization and its mission, vision and goals.

### **Competitive and Financial Environment**

Before the advent of globalization and complex technologies, the external environment of the business remained relatively stable and definite. Organizations gave little thought to environmental factors while determining their HR plans. In fact, HR

actions and policies were guided primarily by the organizational issues and objectives. Today, these organizations no longer have the comfort of working in such stable environments. The changes in the nature of technology, competition, financial and labour markets have created an acute uncertainty and unpredictability in the external environment. Consequently, organizations have now understood the need to develop HR plans based on the conditions prevailing in the external environment.

### **Current Organizational Situation**

Outwardly, organizations may appear to have common characteristics but, in reality, every organization is distinct and dissimilar to others. Organizations differ in terms of capabilities, adaptability, development stage, managerial styles, order of acquisitions, change management process and workforce competencies. Thus, it is essential for the HR managers to consider the current situation and capabilities of the individual organization while devising HR plans.

### **Quantity and Skills Levels of Required Human Resources**

The number and nature of job vacancies existing in the organization should also be considered while determining the HR plans of the firm. Factors like the need for human resources in terms of the number of personnel required, location of these vacancies in the organizational structure, skills and competency requirements, and the degree of difficulty in getting suitable persons must be considered at the time of devising HR plans. Similarly, the corporate policy towards seniority and merit in promotions, the proportion of internal sources in recruitment to external ones, and agreements with the unions, if any, must also be reckoned.

### **Human Resource Planning Process**

Human resource planning is the ongoing process for an organization to manage the changes in its internal and external environment on a sustained basis. The basic elements involved in human resource planning process are jobs, time, persons and funds. 10 It is a continuous process because these elements always keep changing. One such instance would be the entry and exit of employees. The employees might periodically leave the

organization on account of retirement, resignation or death. Similarly, new employees might join on account of the vacancies caused by the quitting employees or by the expansion programmes undertaken.

### **Considering the Organizational Objectives and Strategies**

The first step in the HR planning process is the consideration of organizational objectives and strategies. The organizational strategy along with the mission and vision statement clearly expresses the future intent of the organization. The examination of the organizational strategy would provide a clear indication about the future HR requirements of the firm. Thus, HR plans are guided by the overall organizational objectives and strategies. Each organizational strategy has direct and indirect implications for the human resources of the organization. In fact, HR plans are derived from the contents of the organizational objectives and strategies. Thus, HR managers should consult the organizational objectives and policies for framing guidelines concerning hiring policy, training policy, promotion policy, union issues and automation. Certainly, the complete knowledge of the organizational objectives is the first and the essential prerequisite for an effective HR planning process. If the HR planning is to be genuinely effective, it should be aligned with the various levels of general business plans not as an end itself, but as a means to building a prosperous organization.

### **Scanning the Environment**

Organizations undertake environmental scanning to identify the changes in the external environment. This also helps in analysing the impact of those changes on the organizational present and future activities. Environmental forces are defined as those events that can cause a company to achieve or fail to achieve business objectives. 12 The basic purpose of any environmental scanning is to examine the business environment to seize the opportunities and tackle the threats. Environmental scanning involves collection of information in the form of statements, actions and responses of people

associated with the environment. This information is then closely scrutinized to figure out the likely changes in the environment. Let us now discuss each of these factors.

### **Economic Situation**

The economic conditions prevailing at a particular time have a direct and clear influence on the HR requirements of the organization. In fact, the different phases of an economic cycle shape its HR plans. When the country experiences an economic boom, organizations usually engage in massive hiring to meet the growing demand for products by expanding their business operation. This often leads to labour shortage in the market and a subsequent rise in wage levels of the employees. In contrast, during recessionary trends, organizations reduce the size of their workforce to save labour costs. Besides, they become more conscious about the cost associated with recruitment, selection, compensation, and training programmes.

### **Legislative Measures**

Generally, the philosophy and policy of the government deeply affect business plans and preparations. The business philosophy of the government can be understood through its economic and commerce policies and also through its various labour and industrial laws. HR planners must be aware of the attitude of the government towards the business. They should also know the limitations imposed by the government rules and regulations on the HR practices. Again, they should take advantage of the relaxation offered by the rules and regulations that come into being.

### **Labour Market Scenario**

The extent of competition in the labour market and the recruitment strategy of the rival organizations also influence the HR plans of an organization. When the HR plans require relocation of employees in the form of transfers or redeployment, the response of the affected employee would usually be based on the conditions of the labour market. When there is a labour shortage, the employee might seek a job change by quitting the company. In such a situation, the HR planner must be more prudent in implementing sensitive HR decisions. Besides, the intensity of the competition and the recruitment

strategy of the competitors in the industry should also be considered while determining the pay scales and incentives. In the case of existing employees, the pay scale must be sufficient to protect them from being poached by the rivals. As regards the new entrants, the compensation package must be adequate to attract the best persons to the organization. The globalization process has widened the labour market and thus sharply increased the importance of labour market scanning while devising HR plans.

### **Technological Advancements**

Technological developments have significantly changed the nature and composition of the present-day workplaces. The introduction of new technologies warrants a revamp of the work culture and development of new skills and competencies. It has also created more high-tech jobs in organizations. In fact, the increasing presence of knowledge workers in high-tech jobs rendered several of the existing HR policies and practices obsolete. Consequently, organizations are now forced to develop creative and resourceful HR initiatives to satisfy this new breed of employees. Therefore, HR planners must scan the technological environment before preparing HR plans.

### **Requirements for Effective HR Planning**

The following conditions should be fulfilled for the successful development and execution of HR planning:

- HR plans should be aligned properly with the organization's mission, visions and strategic goals.
- The active involvement and proper guidance of the top management is essential for the success of HR planning.
- HR managers should have a clear understanding of the requirements of HR planning and be aware of its critical role in goal accomplishment.
- Sustained communication and harmonious relationship between line managers and HR manager is absolutely essential.
- HR planning requires objective and comprehensive data for decision making. It is thus essential for an organization to maintain up-to-date and accurate HR records.

- HR planning should be viewed as a continuous process, and constant improvement based feedback is a basic necessity.

- Forecasting techniques needed for estimating HR demand and supply should be chosen carefully on the basis of the merit of the situation.

- The system and process involving HR planning should be simple to understand and easy to operate for all those associated with it.

- Basically, human resources should be viewed as the core competency of the organization and also its essential competitive advantage in the market.

### **Benefits of HR Planning**

HR planning has gained wide recognition as a reliable tool for effective human resource management. In recent times, even the medium and small-scale organizations have realized the critical role of HR plans in goal accomplishment and cost reduction.

We shall now see the important benefits of the HR plans:

- HR planning helps the organizations in utilizing human resources better through effective planning and timely execution.

- It assists the organization in anticipating the future trends in the demand for and supply of labour.

- It replaces haphazard and thumb-rule approaches towards human resource management with a well-planned, systematic and scientific approach.

- It forms the basis for all HR activities including recruitment, training, performance evaluation, and compensation fixation and employee retention.

- HR plans are capable of serving both the long-term and short-term HR requirements of the organization.

- It provides adequate time to the organization to prepare itself and its workforce for any possible changes in the future like downsizing, lay-offs, mergers and acquisitions.

- It facilitates better information-sharing between the management and the unions and, thus, helps in improving industrial relations.



- It helps the organization in determining the career growth of each employee in a systematic manner.
- It ensures continuity in the business operations by enabling an organization to develop succession plans for critical job positions.
- It helps the organization in creating and maintaining a satisfied, well-trained and skilful workforce

### **Barriers to the HR Planning Process**

Although many organizations have shown a keen interest in the implementation of HR planning, they have faced a few critical problems. The presence of these problems affect the success of HR planning. These problems have been listed below.

#### **Insufficient Realization of the Importance of HR Plans**

In several organizations, the top management has failed to have a cohesive approach towards HR planning. It continues to follow outdated HR practices in human resource management. Moreover, many small and medium organizations are not concerned about their future HR requirements. As such, these companies are concerned more about their immediate business problems than about their future HR requirements.

#### **Glut in the Indian Labour Market**

The surplus conditions in the labour market in India have not helped the cause of HR planning. Due to an excess supply in the labour market, many organizations prefer to adopt a short-term, necessity-based approach towards human resource management rather than a long-term, strategic approach.

#### **Union Resistance**

Employees and their unions often view HR planning as an anti-labour measure. They perceive HR planning as an attempt by the management to overburden them with increased workload. They often look at HR plans as a prelude to subsequent undesirable actions like lay-offs and downsizing.

#### **Cost–benefit Misconceptions**

Many employers resist the introduction of HR planning in their organizations because of the increased labour cost associated with HR forecasting and plan implementation. Increased training requirement as part of the HR plan can also push up the cost of labour of an organization.

### **Absence of Coordination**

Lack of support from line managers can also affect the efficacy of the HR planning process. In fact, HR planning is an integrated and organization-wide activity and, therefore, requires complete cooperation and involvement of all line managers. However, these managers consider HR planning as a distraction and also as the responsibility of HR managers.

### **Future Uncertainty**

Uncertainty is a characteristic associated with the future. Since HR plans are made for the future, its accuracy is often affected by changes in the environment. The changes in economic conditions, technological environment and government regulations affect the correctness and immediate relevance of the HR plans adversely. Since many HR activities are decided on the basis of HR plans, a flawed HR plan can cause serious problems for the organization.

### **Review Questions**

1. Evaluate critically the factors influencing the human resource planning process.
2. Discuss the steps involved in the human resource planning process.
3. Enumerate the various techniques available to forecast the HR needs of an organization.
4. Examine the relevance of the different techniques used to forecast the human resources available to an organization.
5. Explain the conditions required for the successful development and execution of human resource planning.
6. Describe the barriers to an effective human resource planning process. Suggest also how to overcome these.

7. “Human resource planning is a precondition for efficient management of human resources.” Elucidate.

8. “As the business becomes increasingly global, human resource planning becomes more significant and complex.” Analyze the statement.

9. How will you determine the demand for and supply of human resource for a large organization?

## **Module 2. Engaging of Human Resources and Organizational Citizenship**

### **Topic 6. HR motivation and compensation**

1. Motivation vs. Performance
2. Need-Based Theories of Motivation
3. Job Design Theories of Motivation
4. Equity Theory and Expectancy Theory
5. Job Satisfaction vs. Engagement
6. A Model of Employee Engagement

Compensation administration is always a vexing issue for the HR managers in the management of human resources. They always strive to develop compensation packages that satisfy the interest of both the organization and the employees. But, it is a tough and challenging task for any HR manager as there is an inherent conflict of interest between the management and the labour over the sharing of the earnings of the organization. For instance, the management’s goal is to limit the cost of production by controlling labour costs whereas the employees’ aim is to earn more from their profession. However, modern management no longer views compensation as merely a reward for the energy, expertise and time expended by the employees. It considers compensation as an effective tool to accomplish both the organizational and individual needs in a systematic and satisfactory manner. For many organizations, compensation is a vital instrument to attract and retain the best talents and motivate them to give their best for them.

Human resources are unique and precious for any organization. In fact, this is the only resource that is involved in each and every activity of an organization. Certainly, the survival and growth of an organization is critically linked to the performance and commitment of its workforce. It is, thus, necessary for the organization to keep the employees satisfied and motivated on a sustained basis. Effective compensation policies and practices constitute a major HR-oriented approach for achieving the desired level of employee morale and organizational effectiveness. The term compensation is generally a broad concept covering incentives, allowances, and benefits, besides the basic salary.

“Compensation means all forms of pay or rewards going to employees and arising from their employment.”

—Gary Dessler

“Compensation is the total of all rewards provided to employees in return for their services. The overall purposes of providing compensation are to attract, retain, and motivate employees.”

—R. Wayne Mondy

### **Equity in Compensation**

The primary objective of compensation administration is to ensure internal and external equity in the payment of salary and other benefits to the employees. Internal equity refers to the payment of equal compensation for jobs of similar nature and worth within the organization. The organization should determine the worth of each job through a job evaluation process. Through job evaluation, jobs with similar characteristics could be brought under a single job grade for the purpose of fixing the same pay grade. External equity refers to the payment of compensation to the employees at par with the wages and salary paid by similar companies for similar jobs in the industry. For this, organizations usually undertake industry-specific salary surveys in the labour market to determine the average salary offered for jobs of a similar nature.

Enhancing Individual and Organizational Efficiency

Achieving the desired level of individual and organizational efficiency is also an objective of compensation administration schemes. Every organization considers compensation as an effective instrument to fulfil the organizational goals and objectives by enhancing the productivity, performance and commitment of the employees. Organizations normally achieve the desired level of employee efficiency by including an incentive component in the compensation payable to the employees. Generally, these incentives are linked to the performance of the employees and the profitability of the organization. An organization may offer individual and/or group incentives to its employees as part of the compensation package in order to ensure effective goal accomplishment.

#### Employee Motivation and Retention

Retaining the existing employees is another objective of the compensation programmes. A well-designed compensation scheme motivates the employees and facilitates the retention of the best employees for a long time in the organization. In this way, it helps the organization in keeping the labour turnover and the related HR costs under control.

#### Goodwill in the Labour Market

Encouraging the best candidates to apply for the job vacancies and to make them accept the job offers issued by the organization after successful selection is another objective of compensation administration. Through an effective compensation policy, an organization can create a highly positive image of itself in the labour market. The goodwill created in the labour market should enable the organization to get the required number of suitable candidates with ease.

#### Adherence to Laws and Regulations

Complying with the prevailing laws and legislation of the country of operation is another objective of the compensation administration system. A sound compensation system would normally consider the challenges and constraints imposed by the government on compensation management. A good compensation plan would operate

effectively without violating any of the legal provisions governing the computation and payment of wages and other incentives and benefits to the employees.

### **Types of Compensation**

Typically, an organization provides compensation to its employees in two forms. These are: direct and indirect compensation. Depending upon its size and the compensation policy, an organization may determine the compensation packages for various categories of jobs. Small organizations usually restrict the number of components in a compensation package and also give more weightage to direct cash compensations like basic pay and variable pay. In contrast, large organizations may include several components in a compensation package. They may also offer different kinds of compensation packages for different categories of employees. We shall now discuss the direct and indirect compensations.

#### **Direct Compensation**

Direct compensation normally includes the amount payable to the employees as direct cash rewards for the work extracted from them. This may include any form of monetary benefit payable to the employee at periodic intervals. The basic pay and variable pay are the important components of direct compensation.

#### **Indirect Compensation**

Indirect compensation includes the benefits enjoyed by the employees but paid by the organization. Usually, indirect compensations are available to all the employees irrespective of their performance in the job. Mostly, the decisions relating to indirect compensation are influenced by the employees' length of service and eligibility. Besides, indirect compensation decisions are normally guided by the policies and benefits offered by similar organizations. Typically, the components of indirect compensation are health-care schemes like Mediclaim, insurance schemes, leave travel concessions, retirement benefits and other social security schemes. An organization may also offer facilities like club membership, car, and vacation at holiday resorts as part of indirect compensation.

## **Theories of Compensation**

To gain a deeper knowledge of compensation, it is important to know a few relevant theories of compensation. We shall now see these important theories.

### **The Equity Theory**

The equity theory is an important contribution of John Stacey Adams, a behavioural psychologist. According to this theory, ensuring a fair balance between an employee's contributions to the job and the rewards he receives in return from that job is important for developing a mutually beneficial relationship with the employees. When the employees believe that their rewards in the form of salary, incentives, and benefits from the job are greater than their job efforts, they would be satisfied with the job. They would also be motivated adequately to perform better in their jobs. On the other hand, these employees would be frustrated and de-motivated when they believe that their contribution to the job is greater than their reward from it.

### **The Expectancy Theory**

Vroom's expectancy theory is another important guiding factor in understanding employees' psychology concerning work and reward. According to this theory, employees work hard in the job when they are sure of positive outcomes in the form of attractive rewards from the job. Employee motivation is the function of three factors, namely, effort, performance and outcome. Employees work with zeal when they are certain about achieving superior performance and positive outcome in the job.

### **The Contingency Theory**

According to this theory, different compensation strategies act equally well in different circumstances. As such, there is no single compensation strategy available for all conditions. The effectiveness of compensation strategy certainly depends on the congruence among the firm, the environment and the compensation strategies. Thus, it is possible to know the importance of compensation only when other job properties are provided. This theory can be understood better through the following example. A

promising candidate, owing to family reasons (like children's education), is not willing to leave his location (city or country).

### The Agency Theory

The agency theory views the employer as the principal and the managers as the agents. Usually, the managers never own complete responsibility for all the decisions made by them since they are not the owners of the business. Therefore, it is necessary for the organization to use compensation as an effective means for creating ownership interest among the managers. To achieve this, it is necessary to align the interest of the employees to that of the owners through unique compensation schemes. In this regard, there are various options (stock options and performance shares) available for the organization to increase the stake of the employees in its overall well-being. Finally, this theory insists that the organizations develop labour-market-oriented and performance-linked contractual relationship with the managers to motivate them constantly to achieve the organizational goals.

### **Concept of Wages**

Wages are one of the important factors of production in any organization. It is also an important determinant of the price and profit of the product. It is, therefore, necessary to know the various wage concepts used in the determination of employee compensation. We shall now see these concepts briefly.

### Real Wages

When the income earned by the employees as a reward for their job efforts is expressed in real purchasing power, it is called real wages. The actual goods and services which wages can buy constitute real wages. These real wages are usually adjusted for the prevailing rate of inflation. Any fall in real wages normally indicates the diminishing purchasing power of employees and reduced consumption. The consumer price index acts as the basis for calculating such real wages of the employees. The economic growth of the employees ultimately depends on the real wages received by



them. Thus, the real wages are the indicator of the changes in the economic well-being of employees over a long period of time.

### Minimum Wages

Minimum wages refer to the legally permissible minimum compensation payable to the employees for their job efforts. In India, the Minimum Wage Act, 1948, fixes the minimum rates of wages for certain jobs. The Committee Report on the Working of the Minimum Wages Act, 1948, has defined minimum wages as “the wage which must provide not only for the bare sustenance of life, but for the preservation of the efficiency of the worker too. For this purpose, the minimum wage must provide for some measure of education, medical requirements and amenities.”<sup>9</sup> The purpose of minimum wages is to ensure the payment of fair wages to the employees to preserve their efficiency. The goal of providing minimum wages is to assist the employees and their families achieve self-sufficiency in life. Besides meeting the basic requirements of life like food, clothes, rent, fuel and lighting, the minimum wages should enable the employees to take care of their medical, educational and minimum recreational expenses. Since the payment of minimum wages is a statutory requirement, the organization must pay such wages, irrespective of its financial ability and the labour market conditions.

### Fair Wages

Fair wages are the wages which are usually positioned above the minimum wages but below the living wages. In the case of fair wages, the organizations should not fix any wages below the minimum wages as fair wages. However, they can consider the industry’s ability to pay for determining any wages above the minimum wages. Usually, an organization considers the productivity, the location of the industry, the level of national income and the pattern of its distribution, and the wage levels prevailing in the same area for determining the fair wages. Normally, fair wages relate with fair workload and the needs of a standard family.

### Living Wages

Living wages is defined by the committee on fair wages as the “highest level of wages that should enable the earner to provide for himself and his family not only the bare essentials of food, clothing and shelter but a measure of frugal comfort, including education for his children, protection against ill-health, requirements of essential social needs and a measure of insurance against the more important misfortunes, including old age.” The purpose of living wages is to ensure that the employees get an income which is sufficient for meeting their present and future necessities and contingencies. The living wage may be described as an ideal wage for an employee as it takes care of all his needs and those of his dependents adequately. However, the living wages must be based on the national income and the ability of the industry to pay such living wages.

### **Steps in Compensation Administration**

The purpose of compensation administration is to compensate the employees satisfactorily and equitably and achieve the organizational goals effectively. Organizations usually develop their own compensation system for determining and computing the compensation schemes of the employees. As mentioned an effective compensation programme involves the following steps: (i) analysis of the job, (ii) evaluation of the job, (iii) developing the pay structure, (iv) survey of wages and salary, (v) pricing of the job, and (vi) compensation revision and control. We shall now discuss these phases involved in compensation administration.

#### **Analysis of the Job**

The first step in the process of compensation administration is the analysis of the job. This should be done to determine the content and context of each job, including its duties, responsibilities and accountability. Job description, which is a written form of job analysis, is used as the basis for identifying and studying the characteristics of a job as part of compensation development measure.

#### **Evaluation of the Job**

After the jobs have been analysed on the basis of job description statements, the second phase of compensation administration involves the assessment of the worth of

the jobs from the compensation perspective. An appropriate job evaluation technique is employed for ensuring internal equity in determining the compensation structure for different jobs. Job evaluation is indeed a process of evaluating the worth of the job on the basis of not only its context and content but also the necessary skills and responsibilities required for it. Organizations may employ methods like job ranking, job grading, paired comparisons, factor comparison and point ranking for evaluating the worth of the job.

#### Developing the Pay Structure

The pay structure determines what an individual is paid. Once the internal relationship among the jobs based on their relative worth has been determined, the organization determines the pay structure and pay grades for jobs of similar importance and difficulties. The organization may choose to have either the narrow-graded pay structure or the broad-graded one for compensation administration.

#### Survey of Wages and Salary

At this stage, an organization conducts a wages and salary survey in the labour market to gather information about the compensation provided by similar organizations in the industry for similar jobs. The primary goal of conducting a salary survey is to ensure external equity while determining the pay scale of the employees. As part of the salary survey, the organization may gather necessary information pertaining to the prevailing wage rates for the jobs in the labour market, and also information about the cost of living and inflation. Typically, an organization has two options in a salary survey. It may either conduct its own survey to know the trend in the labour market or buy the survey results of the professional agencies.

#### Pricing of the Job

Job pricing refers to the determination of wage rates for jobs within the organization on the basis of the job evaluation and salary survey. As part of this process, the internal worth of the job is matched with the external worth to determine the price of the job. While finalizing the compensation for jobs, the guiding principle should be ‘pay

the job and reward the person'. Paying the job means the payment of the right wages for the job depending upon its worth, while rewarding the person refers to rewarding an individual for his efficiency assessed through performance evaluation.

### Compensation Revision and Control

In many organizations, employee compensation forms a major portion of the total operating expenses. It is, therefore, necessary to develop an appropriate mechanism for monitoring the labour cost effectively. Organizations may use techniques like budgeting, performance evaluation, and other appropriate ratios like the compa ratio for determining the efficiency of compensation programmes.

### Review Questions

1. Discuss in detail the different types of compensations using relevant examples.
2. Evaluate the relevance and utility of various theories on compensation.
3. Enumerate the various kinds of pay structure with suitable examples.
4. Examine critically the factors influencing the wages and salary administration using examples.
5. Describe the different steps in a compensation administration process in detail.
6. Evaluate the challenges facing the compensation programmes in Ukraine companies.
7. Explain the meaning, objectives and problems of executive administration schemes.

### Topic 7. Training and development

1. Training "Basics"
2. Training vs. Development: comparative evaluation
3. Important training issues, concepts, etc.
4. Coaching and Mentoring
5. Building Business Career

## **Employee training**

Training is, essentially, a value-addition activity undertaken by an organization to enrich the value of its core assets, namely, its people. It plays a vital role in enhancing the efficiency, productivity and performance of the employees. It is a learning process that helps employees acquire new knowledge and the skills required to perform their present jobs efficiently. Rapid technological developments and the resultant changes in the production process have compelled the management of various companies to treat training as a continuous process of the organization. In fact, the strategic goals of an organization usually form the basis for its training programmes. Training typically comprises predetermined programmes to achieve the desired performance efficiency at various levels—individual, group and organizational. In simple terms, training is all about making a difference between where the worker stands at present and where he will be after some point of time. Training is usually a short-term skill-development exercise meant for non-managerial employees either to learn a job or to overcome their deficiency in the performance of the present job. The success of any training programme lies in recognizing the training needs within the organization and then designing and implementing training programmes based on those needs in order to carry out a continuous upgradation of knowledge, skills and employee attitudes.

### **Significance of Employee Training**

Today, Indian organizations have realized the importance of training as a tool to achieve their strategic goals. It is not viewed by the organization as a cost any longer but as an investment on one of its most dynamic assets, namely, employees. Many organizations consider training as a strategic employee retention tool. It helps the organization create a smarter force capable of meeting any situation and challenges. We shall now discuss the significance of training in detail.

#### **Enlargement of Skills and Competency**

Training helps in enhancing the technical knowledge and skills of the employees at every level of the organization. It enables them to learn new skills and knowledge

continuously so that they remain up to date. In fact, the improvement of skills is no longer optional for the organization but a matter of compulsion, due to the growth in technology and improved processes.

#### Effective Utilization of the Existing Human Resources

Training results in improved performance, which, in turn, facilitates optimum utilization of the available human resources. It also enables the employees to accomplish the organizational goals as well as their personal goals effectively. In fact, improved performance, being a bottom-line purpose of training, is a strategic goal for organizations.

#### Enhancement of Customer Satisfaction

Almost everywhere, organizations are compelled to ensure superior quality, lower costs, and better services to their customers. To meet these challenges, they must enhance their overall performance continuously. The training of employees helps in improving upon the quality of work and in controlling costs.

#### Enhancing Competitive Advantage

One of the important competitive advantages of an organization in a competitive environment is its workforce. It can retain its core workforce competency and skills through continuous and systematic training of its labour force.

#### Enrichment of Team Spirit

Generally, training helps in the promotion of team spirit and inter-team cooperation among the employees. In fact, it enhances the spirit of a group and makes the members work harder to succeed as a group.

#### Ensuring Personal Growth

Training is an investment in people. It is emerging as an important technique to retain people. The process of skills acquisition helps not only the organization in achieving its goal but also the employees in ensuring their personal growth. Obviously, employees prefer those organizations that expose them to modern technologies and help them upgrade their skills and knowledge.

## **Methods of Training**

A broad range of training methods is available to an organization to deliver training to its employees. Based on the training goals and need assessments, an appropriate method may be chosen. There are two options available to an organization while deciding on a training programme. It can either design its own programme or get an externally available package and make modifications in it to suit the purpose and requirements of its training programmes.

### **On-the-job Training Methods**

It is a method in which employees learn their job by actually doing it. This type of training is usually practised on a day-to-day basis along with or as part of the job. The basic idea behind the adoption of this kind of training is to transfer the skills and knowledge from a highly competent and experienced employee to a new one, while sustaining the productivity of both. Almost every new employee gets on-the-job training to become skilled at his job. In many organizations, on-the-job training may be the only one available. The various kinds of on-the-job training have been explained as follows.

#### **Apprenticeship Training**

Several organizations practise this method to impart skills to their employees. It is commonly used to train people for various crafts jobs like those of an electrician, a fitter, a turner, a plumber, a carpenter, a machinist and a printer. In this method, the superior, who is usually a highly skilled employee, becomes the instructor and imparts knowledge to the trainee (called an apprentice) at the work spot. Apprenticeship programmes can last for a few months to several years, depending on the nature and complexity of the jobs. The main motivating factor for the trainees here is the awareness that they are acquiring the exact knowledge needed to perform their jobs. This is a combination of classroom instruction and on-the-job training.

#### **Job Rotation**

The purpose of this method is to expose employees beyond the scope of their present knowledge. The employees are moved from one job to another just to widen

their skill, knowledge and experience. Job rotation training programmes are frequently applied by organizations to promote effective teamwork. 11 Job rotation aids the employees in comprehending a variety of jobs and in acquiring multi-skills to manage these jobs comfortably. It also presents the organization with wide options to effect personnel changes to achieve the desired productivity and strategic goals. Organizations practise rotational programmes primarily for entry-level jobs to impart skills to the new employees that will enable them to perform multiple jobs.

### **Issues in Training**

Although training is an effective tool to create a superior workforce, there are several challenges which impair the quality and outcome of the training programmes. These challenges have been listed as follows:

- The absence of corporate commitment towards training is a major problem. Many organizations do not spend anything at all on training. Even if they do, it is mostly for the managerial personnel only and there is hardly any concern for the training requirements of the workers.

- Many organizations, especially smaller business concerns, avoid training to upgrade the skills of the employees out of the fear that these trained employees will be lured by the competitors with promises of better pay jobs and scales.

- The cost and infrastructure requirements of training make it unaffordable for the small and medium-sized organizations to offer training programmes to their employees.

- Accounting rules generally treat training as expenses only and not as an investment. This also acts as a disincentive to the training efforts of the organizations.

- At the macro level, lack of adequate financial support from the government for undertaking the training and retraining of those workers who are ousted by downsizing, restructuring and other economic necessities also prevents the optimum utilization of training benefits.



- The low availability of employable graduates with adequate skills also strains the training efforts of the organizations as they have to undertake training even to teach basic skills.

- Lack of university and industry cooperation on a sustained basis creates a gap in the communication and exchange of mutual requirements. While the educational institutions remain indifferent to the needs of industry, the organizations do not communicate their labour and skill requirements properly to the academic institutions.

### **Management Development**

“Management development is any attempt to improve managerial performance by imparting knowledge, changing attitudes, or increasing skills.”

— Gary Dessler

“Management development is the process by which managers acquire not only skills and competency in their present jobs but also capabilities for future managerial tasks of increasing difficulty and scope.”

— Edwin B. Flippo

Managers often operate in an uncertain environment as managerial positions involve taking decisions for an uncertain future. When the decisions fail, the manager has to bear the responsibility for such a failure and it may even result in losing one's position. Globalization of business operations, technological developments, and intensified competition have further increased the risk factors for the managers. Thus, there is a growing need for all-round development of the managerial personnel. In fact, an organization requires management development programmes for the following purposes:

- to make certain that every level of management is aware of the latest and best managerial practices, measurement methods and work techniques
- to ensure better leadership behaviour by improving the managers' leadership styles, communication skills, motivational skills and commitment

- to help the managers in prioritizing and optimizing the resources of the organization so as to achieve its goals effectively
- to make sure that the attitudes, values and beliefs of the managers match the core values and strategy of the organization
- to assess and develop the skills of the managers systematically so that they can, in turn, attract, develop and retain the talented employees of the organization
- to assist the managers to build on their strengths and work on their weaknesses so that they achieve their individual career aspirations successfully
- to help the managers cope with the rapidly changing and complex business environment
- to keep in place a proper management succession plan in order to ensure that the organization has a sufficient number of managerial personnel to fulfil the future business requirements
- to help the managers understand and share the corporate philosophy, mission and values of the business

**Goals of Management Development** The primary goal of management development from the organizational perspective is to accomplish the short-term and long-term goals of the organization. However, when seen from the individual's perspective, the goal is to help the managers achieve their own career aspirations. The goals of the development process may also be classified as anticipatory, reactive and motivational. An anticipatory goal refers to undertaking development programmes in anticipation so that managers can effectively contribute to the accomplishment of long-term objectives. A reactive goal refers to those development programmes that aim at resolving the present performance difficulties or at averting the likely performance problems. Finally, a motivational goal refers to those development efforts that focus on the self-development of the individual managers. An organization can conduct management development programmes to fulfil the following goals:

- accomplishing the corporate goals of the organization

- ensuring internal consistency in the organizational philosophy
- helping the process of better integration of various human resources activities
- promoting transparent, dynamic and democratic management practices

### **Methods of Management Development**

The management development programmes can also be classified into “on the job” and “off the job” management development techniques. The development programmes for managers include, among others, job rotation, internships, programmed learning, simulation method, laboratory training, case study, lecture method, audio-visual methods, role-playing, mentoring, business games, coaching, behaviour modelling, in-basket training, action learning, university-based programmes, executive coaches, in-house development centres and executive orientation.

#### **Mentoring**

Mentoring refers to the teaching by an intelligent and trusted guide and advisor. In recent times, it has emerged as an important technique to develop future managers. It is a one-to-one teaching–learning process. Mentors are usually the role model for trainee managers. Mentoring, as a concept, aims at enhancing the personal and professional competencies of trainees through the process of advising and coaching. It concentrates on those skills that help the recipients to work to their highest potential and achieve career advancement. 10 Mentors may or may not be from the same organization but should be experienced, competent and mature. In the course of mentoring, mentors provide coaching, counselling, and challenging assignments, besides offering personal support and encouragement. They also safeguard the rights and interests of trainee managers.

#### **Business Games**

People have a natural desire and involvement in games. This method makes use of business games to create an interesting environment for the trainees to learn their business lessons. The primary goal of business games is to ensure the involvement of the trainees in the learning process. In the business games technique, the trainees form

teams and assume managerial roles in two or more imaginary but rival companies. These teams operate in a realistic but simulated situation and compete against one another by manipulating the controllable variables like price, product volumes, advertising cost and so on.

### Coaching

Coaching refers to teaching and supervising someone. In the coaching method, senior managers are made responsible for coaching and developing the trainees who work directly under them. Coaching can take place in the organization formally or informally. The trainees would learn immensely out of the experience or expertise of the coach. One of the purposes of coaching is to make the trainees fit to eventually replace the senior managers in those positions. The process of development may be formal or informal. Nevertheless, coaching is a comprehensive technique to develop managers and executives.

### Behaviour Modelling

Under this method, the managers learn by imitating the behaviour (called a model) of others. The behaviour model lets the trainees learn the right way of approaching and behaving in different situations. It is considered to be an ideal method for acquiring relevant skills and knowledge from others. Behaviour modelling can be used to improve the skills of managers in performance management, grievance handling, conflict resolution, overcoming the employees' resistance to changes, tackling health and safety issues. Here, the trainees are first introduced to the correct way of performing a task. Then they are encouraged to do the work in the same manner. Finally, a review is carried out and feedback is provided to them. This management development technique, today, is an extensively used, well-researched, and very much appreciated psychologically based training intervention.

### In-basket Training

In-basket refers to a wood or metal container placed on the managers' desk to hold their incoming material. In-basket training is a development technique which educates

the trainees about the need for and techniques of prioritizing the situations that await their responses. It helps the managers in prioritizing the numerous business papers, reports, emails and telephone messages before acting on them. Though not presented in any specific order, some of these messages may be urgent while others may be routine. In this training, the trainees are first asked to establish priorities for each given situation before making any decisions regarding the handling of these messages. This form of development technique is found to be very accurate in predicting performance success in management jobs.

### Action Learning

It is a development technique that allows trainee managers to work on the problems of some other departments and not on those of their own department. On a full-time basis, a group of trainees analyse the real-world problems of a department and make recommendations. The basic idea behind this technique is to help the managers widen their spheres of knowledge and get expertise in different fields.

### University-based Programmes

In this method, managers seek to develop knowledge by joining the programmes offered by the universities, colleges and centres of excellence like the IIMs and the IITs. Certainly, educational institutions play an important role in training management executives in India. For instance, the IIMs offer the managers of industry an opportunity to pursue numerous practical- oriented management development programmes. Management development programmes offered by the universities and colleges are becoming increasingly popular among the managers. Moreover, the Open University and distance learning programmes are also available to managers to upgrade their knowledge and skills in their relevant fields.

### Review Questions

1. Evaluate critically the different steps involved in an employee training process.
2. Discuss in detail the on-the-job training methods with relevant examples.
3. Enumerate the off-the-job training methods with suitable illustrations.

4. Examine the importance and methods of training in a multinational corporation.
5. “Training is not an expense but a long-term investment on people.” Discuss.
6. Discuss the strategic role of management development programmes in the growth of an organization in detail.
7. Evaluate critically the steps in a management development process.
8. Illustrate on-the-job training and development methods with relevant examples.
9. Describe any five modern developments programmes adopted by Ukraine industrial organizations.

### **Topic 8. Group and team effectiveness**

1. Characteristics and Development Processes
2. Characteristics of High-Performance Teams
3. Group/Team Dynamics
4. Group/Team Processes
5. Team Building
6. Maximizing Your Success in a Group/Team

**Team effectiveness** (also referred to as group effectiveness) is the capacity a team has to accomplish the goals or objectives administered by an authorized personnel or the organization.

Team effectiveness (also referred to as group effectiveness) is the capacity a team has to accomplish the goals or objectives administered by an authorized personnel or the organization. A team is a collection of individuals who are interdependent in their tasks, share responsibility for outcomes, and view themselves as a unit embedded in an institutional or organizational system which operates within the established boundaries of that system. Teams and groups have established a synonymous relationship within the confines of processes and research relating to their effectiveness (i.e. group cohesiveness, teamwork) while still maintaining their independence as two separate units, as groups and their members are independent of each other's role, skill, knowledge

or purpose versus teams and their members, who are interdependent upon each other's role, skill, knowledge and purpose.

The evaluation of how effective a team is, is achieved with the aid of a variety of components derived from research and theories that help in creating a description of the multifaceted nature of team effectiveness. According to Hackman (1987), team effectiveness can be defined in terms of three criteria:

1. **Output** – The final outputs produced by the team must meet or exceed the standards set by key constituents within the organization
2. **Social Processes** – The internal social processes operating as the team interacts should enhance, or at least maintain, the group's ability to work together in the future
3. **Learning** – The experience of working in the team environment should act to satisfy rather than aggravate the personal needs of team members

Team cohesion is viewed as a general indicator of synergistic group interaction—or process. Furthermore, cohesion has been linked to greater coordination during team-tasks as well as improved satisfaction, productivity, and group interactions. Team efficacy refers to team members' perceptions of task-specific team competence. This construct is thought to create a sense of confidence within the team that enables the group to persevere when faced with hardship. According to Hackman (2002), there are also 5 conditions that research has shown to optimize the effectiveness of the team:

**Real Team** – Stability in the group membership over time

**Compelling Direction** – A clear purpose that relies on end goals

**Enabling Structure** – The groups dynamic must be producing good, not bad

**Social Support** – The group must have a system to collaborate properly

**Coaching** – Opportunities for a coach to give help.

Team effectiveness is the level at which your team collaborates, communicates, and accomplishes their shared objectives. To create an effective team, you must balance

team member well-being with performance initiatives. One way to do this is to follow a team effectiveness model.

Various thought leaders have developed team effectiveness models that leaders now use with teams worldwide. You can use one of these frameworks to guide your team toward better performance. While each model offers different strategies, their goal is universal—to help teams work better together.

Team effectiveness is crucial for individual and group well-being. A strong group dynamic is the foundation for many other aspects of a happy team, including team morale and productivity.

There are several benefits of team effectiveness for both team members and performance.

Effective teams:

Become more resilient to challenges that arise.

Experience positive synergy with their coworkers.

Feel more empowered in their careers.

Team members on effective teams:

Have higher energy to work harder and longer.

Are more focused, which reduces errors.

Are more productive, which produces better results.

Team effectiveness starts with the group, then works its way to the individual. As individuals feel more confident in their place on the team and in their relationships with their teammates, you'll see that energy reflected in their work.

#### **4 TEAM EFFECTIVENESS MODELS**

Following a team effectiveness model makes it easier for you to lead your team toward success. Effective teams require effective leaders, and while your leadership style is important, it may not work for everyone. Incorporating a model into your leadership strategy can ensure you're leading your team in a compelling direction.



Consider the four team effectiveness models below to see which one resonates most with your team.

## **1. THE LENCIONI MODEL**

Patrick Lencioni, author of “The Five Dysfunctions of a Team,” created a team effectiveness model designed around the causes of team dysfunction and conflict. This model makes it easier to point out areas in your team that need improvement. He divides these dysfunctions into five layers, which you can visualize in a pyramid structure. The bottom layer is the largest dysfunction, and the top layer—inattention to results—is the smallest.

Lencioni’s elements of a dysfunctional team:

Absence of trust: When team members are afraid to ask for help.

Fear of conflict: When team members don’t feel comfortable speaking up.

Lack of commitment: When team members don’t know how to follow through.

Avoidance of accountability: When team members don’t set standards or don’t understand the standards that have been set.

Inattention to results: When team members don’t focus on their performance.

Lencioni explains that these dysfunctions are what effective teams should avoid most. Effective team practice the opposite of these dysfunctions, like:

Trust

Conflict resolution

Commitment

Accountability

Attention to results

If you want your team to improve, this model can help you identify areas to work on. It can also help you uphold group effectiveness once you achieve it.

Team example:

This model can help you improve on team dysfunctions or prevent them from occurring. Flip the dysfunctions in Lencioni’s model to take action. For example, the

fundamental action for an effective team in Lencioni's eyes would be to trust one another. Facilitate trusting relationships by setting up weekly Q&A sessions and normalizing the idea of asking for help.

## **2. THE T7 MODEL**

Michael Lombardo and Robert Eichinger developed the T7 Model of team effectiveness. This model focuses on the internal and external factors that make a team work. According to this model, there are five internal factors that influence team effectiveness.

Thrust: The team has a common goal.

Trust: Team members trust one another.

Talent: Each team member has relevant skills and experience.

Team skills: Team members work together and communicate effectively.

Task skills: Team members accomplish tasks efficiently.

And there are two external factors that influence team effectiveness.

Team leader fit: Team members trust their leader and respect their leadership style.

Team support from the company: The company supports the team and gives them the resources needed to succeed.

Use the T7 model as a rubric for assessing team strengths and weaknesses. Your team may have a few of the T's already mastered, while others may need work.

Team example:

Turn the T7 model into a checklist and use that list as both an action plan and a way to monitor team success. For example, your action items under "Thrust" may be:

Set SMART goals for every project.

Create quarterly team OKRs, with the KRs being individual tasks.

Meet weekly to discuss progress toward project and team goals.

Creating actionable steps will bring the T7 structure to life and help your team work better together.

### **3. TUCKMAN'S TEAM DEVELOPMENT MODEL**

Psychologist Bruce Tuckman created the Tuckman team development model. In this model, he explains that teams develop through four stages; however, these stages of team development occur differently for every group, and it isn't always linear.

The goal when using this team effectiveness model is to move your team upward through each stage of development.

- Stage 1. Forming: Team members come together and aren't sure what the group dynamic will be.
- Stage 2. Storming: Team members get to know one another, and conflicts may arise as differences in work style and personality come to light.
- Stage 3. Norming: Team members adjust to one another. They collaborate and put their differences aside.
- Stage 4. Performing: Team members know each other well enough to respect and trust one another, which leads to better performance.

It's not a given that every team will reach the Performing stage. This stage requires team members to be independent and in sync.

Team example:

To help your team reach the Performing stage, meet them where they are. If your team just began working together, they may need to make their way through Forming, Storming, and Norming before getting there.

To ensure they get to the Performing level of development, look for ways to support the team. Encourage interpersonal relationships and offer conflict resolution strategies when needed.

Read: What are the stages of team development?

### **4. KATZENBACH AND SMITH MODEL**

Jon Katzenbach and Douglas Smith, authors of "The Wisdom of Teams," created a triangular framework for team effectiveness. Each point of the framework represents a

fundamental team goal, while the three components between these points are how teams reach those goals.

Fundamental team goals:

- Performance results
- Work products
- Personal growth

Three skills needed to reach team goals:

- **Skills:** Your team needs communication, problem-solving skills, and functional work skills to create work products and reach performance goals.
- **Accountability:** To reach performance goals and achieve personal growth, teams also need to be held accountable by you and each other.
- **Commitment:** To achieve personal growth and create work products, teams need to commit to their goals and a shared purpose.

Team example:

To use this model to improve your team dynamics, start with the key components as your guide. Does your team have skills, accountability, and commitment? Identify areas needing improvement and focus your efforts there.

For example, your team may have skills and commitment, but their lack of accountability can hurt their personal growth and performance. Put boundaries in place and make them think of accountability as a way to respect one another.

### **How to implement a teamwork model?**

Familiarize yourself with the team effectiveness models above before introducing one to your team. As a leader, you'll need a solid grasp of how these models work before you can put one into action. Once you feel confident with each team model, use the steps below to identify team needs and your team's work style.

#### 1. Choose a team effectiveness model

There are benefits and drawbacks to each team effectiveness model. But it's important to stick with one as you move forward so your vision remains clear. As you

adopt the model into your leadership strategy, use it to identify team needs and evaluate progress against it. When you have a clear structure of what you want to achieve, you're more likely to meet your goals.

## 2. Involve—and align—your team

As you work through the team effectiveness model you've chosen, involve team members in the improvement process. You don't need to mention the team effectiveness model outright, but open communication in the workplace is key to building better relationships.

For example, if you choose the Lencioni model, focus on attention to results, accountability, commitment, conflict resolution, and trust. Explain these components of team effectiveness with relatable examples of what effectiveness in each area looks like. Ask team members for feedback on where they think their pain points are in these areas. Then, work together to bring the model—and its benefits—to life.

## 3. Emphasize collaboration

Regardless of the model you choose, collaboration is essential to your team's development. Collaboration involves working together, even when challenges arise. The goal should be for team members to feel comfortable expressing themselves respectfully, even if or when they disagree.

Implementing a team effectiveness model is only one part of the equation. As a leader, you must actively model collaboration and set the standard for how your team should communicate.

Read: [How to lead by example, according to one Asana leader](#)

## 4. Check in regularly

As you adjust team processes to fit your new teamwork model, check in on team members' performance and well-being. Performance evaluations are a good opportunity to have these conversations.

They'll need time to adapt to the new model, and the model needs time to work. Be patient, and don't get discouraged if you don't see changes in team productivity or individual performance right away.

### **Review Questions**

1. Evaluate the strengths and weaknesses of the code of discipline.
2. "Disciplining an employee is the most complex task for the management of a company." Discuss.
3. Discuss the effectiveness of the disciplinary procedure in maintaining discipline in Indian industries.
4. Discuss the essentials of a sound disciplinary system.

### **Topic 9. HR performance management**

1. Performance Management Overview
2. The Importance of Accountabilities
3. Performance Evaluation
4. Development Planning and Career Discussions

### **Performance Evaluation: An Overview**

Performance evaluation is one of the crucial steps in the process of human resource management. Through performance evaluation, an organization seeks to know what is done by an employee. Performance evaluation is concerned with the evaluation of the individual and group performance of the employees of an organization. Each organization can have its own way of appraising the performance of its employees. The mode of appraisal may be formal or informal. In any case, an organization requires effective appraisals to ensure that the employees' efforts are goal-directed. In the absence of a reliable and objective performance evaluation of employees, an organization might suffer in the form of high labour cost, underperformance of its workforce, low productivity and underutilization of available resources.

Although performance evaluation is basically a procedure used for ascertaining, examining and recording information about the relative worth of the members of an organization, it has been defined differently by various authors.

We may define performance evaluation as an objective review and rating of an employee's performance in comparison with the relative performance standards.

While performance evaluation is limited in its scope and confined to reviewing the performance of employees, performance management is a much wider process. It is, in fact, a total and integrated process comprising activities like goal-setting, training, evaluation, and rewarding of employees. It is a goal-based process aimed at guaranteeing that organizational processes produce the expected performance on the part of both the employees and the organization. It begins with the task of setting performance standards for employees followed by training and development. It finally ends with performance appraisal and thereby fixing rewards for employees in a fair and objective manner. Performance appraisal is a one-time event each year whereas performance management is a dynamic, ongoing, and continuous process. The foremost task of performance management is fixing goals in alignment with the strategic needs of an organization. Performance management constantly focuses on the effort of each employee towards the achievement of organizational goals. It may involve daily or weekly interactions to ensure continuous improvement in the employee's capacity and performance. When the employee's existing skills and knowledge are found to be insufficient and require improvement during the performance management process, training and development exercises are usually undertaken to achieve the required effectiveness. Besides, compensation may also be linked directly to attaining organizational goals. For instance, employees who are able to effectively contribute to the achievement of the organizational goals could be well rewarded.

### **The Process of Performance Evaluation**

The entire ethos of performance evaluation should start at the top and be built into the strategy of the firm. It should be embodied in the values of the company. The

performance evaluation process should strengthen the working relationship between the managers and their employees. It should also contribute to the long-term success of the organization. The entire process should be a rewarding and satisfying experience not only for the organization but also for the individual employees. An ideal performance evaluation process should provide the basis for managing the business of today and for developing it in the future.

Setting the Performance Evaluation Goals

Establishing the Performance Criteria

Actual Evaluation of Performance

Post-evaluation Interview with Employees

### **Performance Evaluation Methods**

The decision regarding the selection of a particular type of evaluation usually involves answering questions like what aspects are to be evaluated and how they should be evaluated. Nevertheless, the purpose of evaluation is the major guiding factor for such decisions. For instance, traditional methods like rating scales, paired comparisons and other similar methods are appropriate when the purpose of evaluation is identifying suitable employees for promotions and compensation, whereas collaborative methods like evaluation by employees, peers, customers and self-evaluation are more suitable for developing the employees. Thus, managers have to carefully choose from the number of evaluation options available to them.

The Rating Scales Method

The Ranking Method

The Paired Comparison Method

The Forced Distribution Method

The Forced Choice Method

The Critical Incident Method

The Essay Method

The Cost–benefit Method



## **Issues in Performance Evaluation**

Performance evaluation is a crucial exercise not only to the organization but also to the individuals who are evaluated. This is because the employees are aware of the fact that their future rewards and career prospects are virtually tied to the results of such evaluation. Obviously, these expectations make the evaluation process a highly sensitive issue. The success of the performance evaluation process depends on the quality, credibility, and unfailing nature of the process. However, performance evaluation methods, particularly rating scale techniques, are often susceptible to problems like the lack of objectivity, halo effects, central tendency, leniency/strictness, bias, recency effects and employee resistance. We shall now discuss them in detail.

Absence of Objectivity

Halo Effects

Central Tendency

Lenient Attitude

Bias

Recency Effects

Employee Resistance

## **Job Evaluation**

Job evaluation is a technique used for determining the relative worth of each job in the organization. The primary purpose of assessing the value of each job against another is to fix up the pay scale for each of these jobs. Job evaluation provides a critical input for the grading of jobs in the organization in an orderly and acceptable form. Job grading in turn helps the organization in determining the pay grades for different categories of jobs. The essence of job evaluation is the assessment of the efforts required to perform the job. Usually, jobs are evaluated on the basis of the duties, responsibilities, work pressures and contribution of each job to organizational goal accomplishments. Generally, job evaluations are conducted in two ways. These are analytical and non-analytical job evaluations. In case of analytical job evaluation, the extent of the presence

of certain defined factors in a job decides its value in the organization. As regards non-analytical job evaluation, the total job is measured and matched with other jobs to determine its overall rating within the organization.

### **Characteristics of Job Evaluation**

Based on these definitions, job evaluation has the following characteristics:

- Job evaluation is primarily concerned with the determination of the worth of the job within an organization. It is not concerned with the external worth of the job, i.e., the worth of the job in the labour market.
- It is non-personnel in approach as it does not consider the abilities and skills of the job holders while evaluating a job.
- Job characteristics like duties, responsibilities and accountability often form the basis for the determination of the relative worth of the job.
- In job evaluation, jobs are allocated to grades or levels, depending upon their performance or scores in the job evaluation process.
- Determination of fair and equitable pay scales for jobs is the driving force behind the job evaluation process.

### **Measures to Enhance the Effectiveness of Job Evaluation**

Pay scale fixation is a sensitive exercise for any organization as it can influence employee satisfaction, commitment and performance decisively. The need for objectivity in pay scale fixation apparently enhances the significance of the job evaluation exercise in an organization. Through careful and methodical measures, the organization can enhance the effectiveness of the job evaluation process. The measures required for improving the effectiveness of job evaluation are:

#### **Gaining the Confidence of the Employees**

It is necessary for an organization to involve the employees in job evaluation by educating them about the need for and the purpose of the evaluation exercise. All their doubts about job evaluation must be clarified promptly.

#### **Adequate Training for the Evaluators**

The evaluators for the exercise should be chosen carefully and trained adequately. They must be experienced and mature persons with a good standing among the employees.

#### Ensuring Top Management Support

The purpose of undertaking job evaluation is justified only when its report is considered seriously by the management for pay scale fixation. Thus, the attitude of the management determines the real worth of any job evaluation exercise. It is, therefore, necessary to ensure the commitment of the top management not only for the job evaluation exercise but also for the implementation of the evaluation report.

#### Defining the Job Factors Clearly

The evaluators must develop a clear-cut criterion for the selection of benchmark jobs for evaluation. Similarly, they should choose the job factors properly and define them unambiguously. Further, they should assign weights to these factors after considering all the relevant information duly. Distinguishing the Job from the Job Holder The evaluators should never be influenced by the performance and behaviour of the job holders. They should strictly confine themselves to the requirements and conditions of the jobs alone. They must rank the job and not the job holders.

#### Ensuring the Accuracy and Reliability of the Source Documents

Job evaluation depends largely on the job description statement and, to some extent, on the job specification statement. Thus, it is necessary to ensure the accuracy and relevance of these documents before using them for the job evaluation exercise. The job evaluation may go wrong if these documents are outdated and inaccurate.

#### Recognizing the Role of Trade Unions

It is important to consider the views of the trade unions while developing the pay scales for different jobs. The organization must have some provision in the job evaluation process for considering the unions' views on jobs before finalizing the job evaluation reports.

## **Review Questions**

1. Explain critically the traditional methods of performance evaluation.
2. Describe in detail the various steps involved in the performance evaluation process.
3. Write about each of the possible evaluators in a performance evaluation process.
4. Discuss the role of the performance evaluation system in an organization.
5. Evaluate critically any five performance evaluation methods.
6. Enumerate the meaning, merits and limitations of the 360-degree feedback method.
7. What are the challenges facing performance evaluation today? How will you overcome them?

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