SECTION 1

List of Chapters

1. Understanding the Nature and Scope of Human Resource Management
2. Context of Human Resource Management
3. Integrating HR Strategy with Business Strategy

CHAPTER 1

Understanding the Nature and Scope of Human Resource Management

LEARNING OBJECTIVES

After reading this chapter, you should have a good understanding of:

- The nature, scope and objectives of human resource management.
- An organisation chart for human resource management function in a typical business establishment.
- Describing the image and qualities of a human resource manager.
- The personnel principles and policies.
- The evolution of human resource management.
- Jobs and careers in HRM.
- Models of HRM.
- Paradoxes in HRM.

Opening Vignettes

Tata Consulting Services (TCS) is a truly global company. It has 28,000 software engineers drawn from 32 countries. TCS adopts a unique system of hiring people. It starts its human resource sourcing right at the college level. The software leader sends more than 50 senior executives to interact with academic institutions. At these institutions, TCS funds many events like conferences, seminars, gets involved in improving curricula, establishes fellowships and exchanges expertise through visiting faculty programmes. To top all these is the annual retreat with over a hundred top academics in Thiruvananthapuram, the training hub of TCS.

TCS also built computer science department at IIT, Kanpur. Similarly, it sponsored the entire M.Tech programme at IIT Bombay. IIT Madras too has a TCS sponsored programme in mathe-matical modelling.

TCS extends its relationships to several universities abroad as well. It has sponsored projects at MIT, Harvard, the Kellogg School, Carnegie Mellon, University of Waterloo and institutions in Japan, Australia, China and Singapore. All the spadework being done, TCS finds it easy to hire the best talent in campus recruitments.

* * *

WIPRO, another software leader, has excellent human resource policies and practices. One such is the way a potential job-hopper is handled. Exit interviews are held when people quit WIPRO. Reasons why people leave WIPRO are ascertained and interestingly, the company helps them find placements in other

firms with a guarantee that the doors of WIPRO would always be kept open to those willing to come back, and a few did come back.

* * *

Toyota is one company which has benefited immensely from employee suggestions scheme. The company's suggestions scheme, operational for decades now, nets almost 2,00,000 suggestions per year, that is 33 suggestions per employee every year. Interestingly, 95% of these are implemented. That makes about 5,000 improvements per day. Employee suggestions helped British Airways cut its costs by £4.5 million. HSBC saved upto Rs 50 lakh per annum just by adopting a single useful suggestion made by an employee. Gujarat Narmada Fertiliser received 5,000 suggestions over five years, with savings of Rs 65 lakh per annum.

* * *

It's been almost a year now but Raj Shetty, 45, still winces with guilt when he looks back. One of the top executives at a Delhi based firm, last year he almost quit. A tempting offer from a rival firm, boredom with the company where he had worked for 12 years, dilly-dallying with promises by his bosses and a burning desire to do something different and exciting—all of it pushed him to seeking a new job. He collected his offer letter and resigned.

That was perhaps the easiest part. Then followed almost a week of drama, emotional blackmail sweetened with sky-high promise, and a series of meetings with the promoter telling him how valuable he was. "For nights I just could not sleep," he recalls. On one hand was the guilt of accepting the offer letter and declining it leading to moral-ethical dilemmas. On the other, suddenly he could see many down-sides of ditching his old employer. It meant leaving a comfortable work environment with colleagues and bosses who respected him, all that bundled with an enticing job offer. "I knew I had spoiled my relationship with him (the prospective boss) for life yet I decided to stay back." he says.

Emotions, dilemmas and some hindsight wincing—that's the view from the other side. But for India Inc. reeling under such 'No show'—executives accepting offer letter and not showing up—it's all about worsening talent war, lost time, bad ethics and often a business plan gone haywire. As a result, desperate employers in a ramp-up mode are creating plenty of Shettys in corporate India today.

* * *

Sexual harassment is on the rise, particularly in garments units. Most of these firms employ women who are in their late twenties. They work from early morning till late in the evening. In many cases these women become targets of the factory owner's sexual desires. They are forced into such a situation by the fear that if they lose their job their children will starve.

* * *

On October 3, 2003, Anant Dalvi and Akhtar Khan, who worked as contract workers in the Tata Electric Company until they were laid off in 1996, doused themselves with kerosene and set themselves ablaze even as their co-workers protested before the company's offices. While Dalvi died on the spot, Khan died a few days later.

The Tata Electric Company said they were no longer on their payroll and were not permanent workers. The Tata Hydro Company's Employees Union had taken up their case and filed a petition in the Labour Court before their contracts were terminated. The court directed the company not to terminate their services without following due process of law. Despite this, their services were terminated on June 30, 1996. The company union promised the workers that they would renegotiate. Yet on the night before they killed themselves when Khan and Dalvi spoke to the union leader, Kailash Shinde, they were told that nothing more could be done for them. It is this that led them to take their lives.

Dalvi had been in service as a peon for 17 years and Khan had been employed as a rigger for 19 years. Their services were not regularised. They were on contract with a service break of two or three days. Such workers draw salaries much lower than those of permanent employees.

* * *

Welcome to the exciting field of human resource management. As you flip through the pages of this book, you will find more interesting characters, issues and anecdotes.

Taking a look at the world of human beings is a rewarding experience. Contrasts abound in this world. Beauty is juxtaposed with ugliness, mercy with cruelty, compassion with indifference, health with disease, happiness with misery, industriousness with laziness, affluence with poverty and as the tidbits told above, mercy with cruelty. These contrasts remain so, despite the passage of time, sweeping political and economic changes, and cultural differences. Contrasts notwithstanding, one thing is certain—it is the people who make an organisation a success or allow it to be handed over to the Board for Industrial and Financial Reconstruction (BIFR). Who are these so-called patrons? How to attract them? How to retain them? How to motivate them? These and other such questions need an in-depth study. The present book makes an attempt to study these questions.

NATURE OF HRM

Human resource management is also a management function concerned with hiring, motivating, and maintaining people in an organisation. It focuses on *people* in organisations.

Simply put, Human Resource Management (HRM) is a management function that helps managers recruit, select, train and develop members for an organisation. Obviously, HRM is concerned with the people's dimension in organisations.

Specifically, the following constitute the core of HRM:

1. Organisations are not mere bricks, mortar, machineries or inventories. They are people. It is the people who staff and manage organisations.
2. HRM involves the application of management functions and principles. The functions and principles are applied to acquisitioning, developing, maintaining, and remunerating employees in organisations.
3. Decisions relating to employees must be integrated. Decisions on different aspects of employees must be consistent with other human resource (HR) decisions.
4. Decisions made must influence the effectiveness of an organisation. Effectiveness of an organisation must result in betterment of services to customers in the form of high-quality products supplied at reasonable costs.
5. HRM functions are not confined to business establishments only. They are applicable to non-business organisations, too, such as education, health care, recreation, and the like.[1]

Obviously, HRM refers to a set of programmes, functions and activities designed and carried out in order to maximise both employee as well as organisational effectiveness.

SCOPE OF HRM

The scope of HRM is indeed vast. All major activities in the *working* life of a worker—from the time of his or her entry into an organisation until he or she leaves—come under the purview of HRM. Specifically, the activities included are—HR planning, job analysis and design, recruitment and selection, orientation and placement, training and development, performance appraisal and job evaluation, employee and executive remuneration, motivation and communication, welfare, safety and health, industrial relations (IR) and the like. For the sake of convenience, we can categorise all these functions into seven sections—**(i)** introduction to HRM, **(ii)** employee hiring, **(iii)** employee and executive remuneration, **(iv)** employee motivation, **(v)** employee maintenance, **(vi)** IR, and **(vii)** prospects of HRM (*see* Fig. 1.1). As the subsequent pages in this book unfold, all these functions and many more are explained in greater detail.

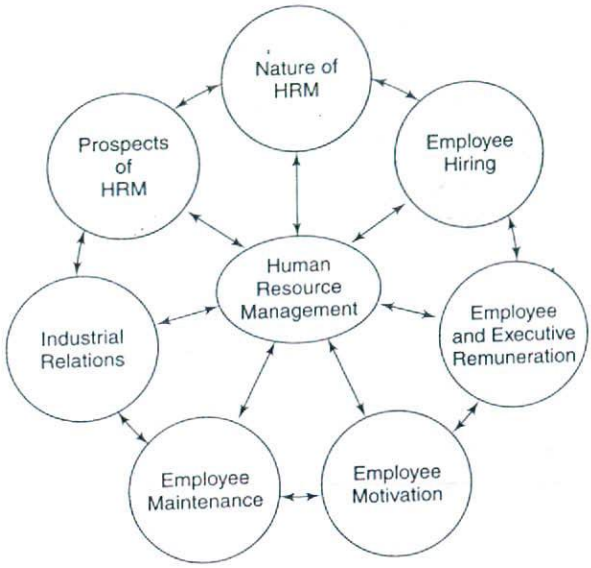


Fig. 1.1 Scope of HRM

THE SEMANTICS

As in any other discipline, there is the problem of semantics in HRM, too. First, we have two terms, namely, personnel management (PM) and HRM. Between these two terms there is a basic difference, and it is useful to understand as to what it is.

HRM is a broad concept. Personnel management (PM) and human resource development (HRD) are a part of HRM.

HRM differs from PM both in scope and orientation. HRM views people as an important source or asset to be used for the benefit of organisations, employees and the society. It is emerging as a distinct philosophy of management aiming at policies that promote mutuality—mutual goals, mutual respect, mutual rewards and mutual responsibilities. The belief is that policies of mutuality will elicit commitment which, in turn, will yield both better economic performance and greater human resource development (HRD). Though a distinct philosophy, HRM cannot be treated in isolation. It is being integrated into the overall strategic management of business. Further, HRM represents the latest term in the evolution of the subject. The year 1990 was a turning point in this evolution. The American Society for Personnel Administration (ASPA), the largest professional association in this field of management, changed its name to the Society for Human Resource Management (SHRM). Since then, the expression is gradually replacing the hackneyed term 'personnel management'.[2]

PM has a limited scope and an inverted orientation. It viewed labour as a tool, the behaviour of which could be manipulated for the benefit of the organisation and replaced when it was worn-out. The personnel department itself was not treated with respect. It was filled with not-very-productive employees whose services could be spared with minimal damage to the organisation's ongoing operations. Personnel function was treated as a routine activity meant to hire new employees and to maintain personnel records. It was never considered a part of the strategic management of businesses. Historically, PM preceded HRM.

Table 1.1 draws the line of separation between HRM and PM quite clearly.

? Pause and Ponder

It is good to read that people management has matured from IR to PM to HRM to HCM. But has the change been only cosmic or real? Have a debate.

Another term widely used these days is HRD. For many people, HRD and HRM convey the same meaning. This may not be true. Essentially, HRD is a function more concerned with training and development, career planning and development, and organisation development. HRD, therefore, is a part of HRM (*see* Fig. 1.5).[3]

Table 1.1 **Differences between HRM and PM**

Dimension	*Personnel Management*	*Human Resource Management*
1. Employment contract	Careful delineation of written contracts	Aim to go beyond contract.
2. Rules	Importance of devising clear rules	Can do outlook, impatience with rule
3. Guide to management action	Procedures	Business need
4. Behaviour referent	Norms/customs and practices	Values/mission
5. Managerial task vis-à-vis labour	Monitoring	Nurturing
6. Key relations	Labour management	Customer
7. Initiatives	Piecemeal	Integrated
8. Speed of decision	Slow	Fast
9. Management role	Transactional	Transformational leadership
10. Communication	Indirect	Direct
11. Prized management skills	Negotiation	Facilitation
12. Selection	Separate, marginal task	Integrated, key task
13. Pay	Job evaluation (fixed grades)	Performance related
14. Conditions	Separately negotiated	Harmonisation
15. Labour management	Collective-bargaining contracts	Individual contracts
16. Job categories and grades	Many	Few
17. Job design	Division of labour	Team work
18. Conflict handling	Reach temporary truce	Manage climate and culture
19. Training and development	Controlled access to courses	Learning companies
20. Focus of attention for interventions	Personnel procedures	Wide-ranging cultural, structural and personnel strategies

(*Contd*)

(*Contd*)

Dimension	*Personnel Management*	*Human Resource Management*
21. Respect for employees	Labour is treated as a tool which is expendable and replaceable	People are treated as assets to be used for the benefit of an organisation, its employees and the society as a whole
22. Shared interests	Interests of the organisation are uppermost	Mutuality of interests
23. Evolution	Precedes HRM	Latest in the evolution of the subject
24. Locus of control	External	Internal
25. Organising principles	Mechanistic Top-down Centralised	Organic Bottom-up Decentralised

Industrial Relations Management (IRM) is yet another term which adds to the problem of semantics. 'Industrial relations', as the term implies, is merely concerned with employee grievances and their settlement, unionisation, and the like. Obviously, IRM is one wing of HRM (*see* Fig. 1.5).

HRM: FUNCTIONS AND OBJECTIVES

Objectives

The primary objective of HRM is to ensure the availability of a competent and willing work force to an organisation. Beyond this, there are other objectives, too. Specifically, HRM objectives are four fold—societal, organisational, functional and personal (*see* Fig. 1.2).

The **societal objectives** of HRM seek to ensure that the organisation becomes socially responsive while the **organisational objectives** make sure that HRM is not a standalone department, but rather a means to assist the organisation reach its primary objective.

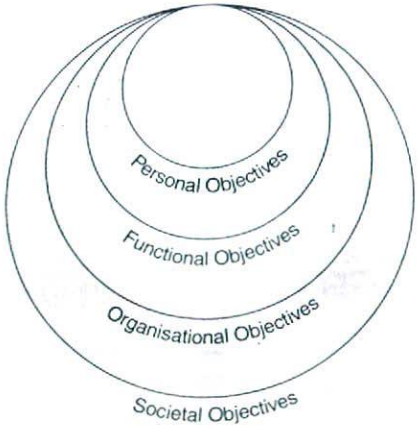


Fig. 1.2 Objectives of HRM

Societal Objectives *To be ethically and socially responsible to the needs and challenges of the society while minimising the negative impact of such demands upon the organisation.* The failure of organisations to use their resources for the society's benefit in ethical ways may lead to restrictions. For example, the

society may limit HR decisions through laws that enforce reservation in hiring and laws that address discrimination, safety or other such areas of societal concern.

Functional objectives remind the HRM that it has only functional value and should not become too expensive at the cost of the organisation it serves, while **personal objectives** assist employees in achieving their personal goals.

Organisational Objectives *To recognise the role of HRM in bringing about organisational effectiveness.* HRM is not an end in itself. It is only a means to assist the organisation with its primary objectives. Simply stated, the department exists to serve the rest of the organisation.

Functional Objectives *To maintain the department's contribution at a level appropriate to the organisation's needs.* Resources are wasted when HRM is either more or less sophisticated to suit the organisation's demands. The department's level of service must be tailored to fit the organisation it serves.

Personal Objectives *To assist employees in achieving their personal goals, at least insofar as these goals enhance the individual's contribution to the organisation.* Personal objectives of employees must be met if workers are to be maintained, retained and motivated. Otherwise, employee performance and satisfaction may decline and employees may leave the organisation.[4]

Functions

In order to realise the objectives stated above, HRM must perform certain functions. These functions have been stated while outlining the scope of HRM. Generally, it may be stated that there is a correlation between the objectives and the functions. In other words, some functions help realise specific objectives. For example, the organisational objective is sought to be met by discharging such functions as HR planning, recruitment and selection, training and development, and performance appraisal. Similarly, the personal objective is sought to be realised through such functions as remuneration, assessment, and the like. Table 1.2 contains the full list of objectives and functions.

Table 1.2 **HRM Objectives and Functions**

HRM Objectives	*Supporting Functions*
1. Societal Objectives	1. Legal compliance 2. Benefits 3. Union-management relations
2. Organisational Objectives	1. Human resource planning 2. Employee relations 3. Selection 4. Training and development 5. Appraisal 6. Placement 7. Assessment
3. Functional Objectives	1. Appraisal 2. Placement 3. Assessment

(Contd)

(Contd)

HRM Objectives	Supporting Functions
4. Personal Objectives	1. Training and development 2. Appraisal 3. Placement 4. Compensation 5. Assessment

Source: William B. Werther, Jr and Keith Davis, *Human Resources and Personnel Management*, p. 15.

Who will perform these activities in a typical organisation? What is his or her place in the organisational structure? The following section seeks to answer these questions.

ORGANISATION OF HR DEPARTMENT

Two issues become relevant in a discussion on organisation of an HR department. They are (i) place of the HR department in the overall set-up, and (ii) composition of the HR department itself.[5]

Status of the HR department in the total organisational structure depends on whether a unit is small or large. In most of the small organisations, there is no separate department to co-ordinate the activities relating to personnel. In fact, there may not be any personnel manager at all. Services of outsiders who specialise in maintaining accounts and records relating to provident fund, pension and other statutory requirements are retained for a fee. Alternatively, a low-placed employee may be entrusted with the task of attending to these functions. Figure 1.3 shows a structure of this type. In fact, it was this arrangement which was followed in the past, irrespective of the size of the organisation. Earlier, personnel departments were called 'health and happiness' departments. The people assigned to deal with personnel issues were often individuals who were past their prime. The personnel department was seen as a place where the lesser-productive employees could be placed with minimal damage to the organisation's ongoing operations. Individuals in the personnel department were perceived as those responsible for planning company picnics, vacation schedules and retirement parties. Personnel, as an activity, was seen as a necessary but unimportant part of the organisation. Fortunately, things have changed for the better, and the status of the personnel department has improved enormously over the years.

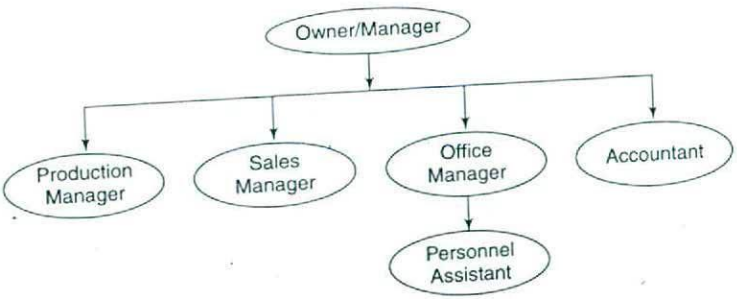


Fig. 1.3 HRM in a Small-scale Unit

A large-scale unit will have a Manager/Director heading the HR department. His or her status will be equal to that of any executive. Figure 1.4 shows this structure. This arrangement holds good when the company has a single unit. Where the company has multiple plants located in different parts of the country, there may be a centralised HR/personnel department at the main or registered office and each plant will have separate HR/personnel department. Routine activities relating to each plant are handled by the HR/personnel department attached to the work, whereas the broad policies, matters concerning executives, and the like are handled by the central department. This is the case with conglomerates as BHEL, and L&T.

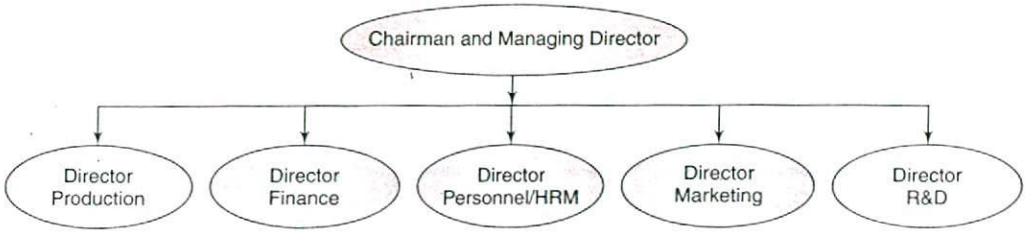


Fig. 1.4 HRM in a Large-scale Unit

Coming to the composition of the HR department, it may be stated that it depends on the scale of operations and attitude of the top management towards its personnel. However, a typical HR department (*see* Fig. 1.5) is headed by a Director, under whom are Manager—Personnel, Manager—Administration, Manager—HRD and Manager—Industrial Relations. The department will grow in size and importance when new demands are placed on it by the top management.[6]

Outsourcing

A trend that is observed nowadays is outsourcing HR activities. Outsourcing (also called subcontracting) is the process by which employers transfer routine or peripheral work to another organisation that specializes in that work and can perform it more efficiently. The activities that are generally outsourced include employee hiring, training and development, payroll preparation, benefits administration, statutory records maintenance and the like. The triggers for outsourcing include downsizing, rapid growth or decline of business, globalisation, growing competition and restructuring.

Some executives assume that outsourcing HR activities offers competitive advantage. It is assumed that outsourcing can reduce costs, improve flexibility and permit the hiring of specialised expertise. Realising the potential benefits, 72% of the Indian companies are outsourcing their HR activities.

Whatever the triggers and justification for subcontracting HR activities, their outsourcing will have significant impact on the organisation of HR department. If outsourcing is carried to its logical end, where all activities are assigned to an outside firm, a company can do without a HR department itself. Where only limited or routine activities are outsourced, the company will have a HR department but not the one shown in Fig. 1.5. The HR department will then be small in size with one HR executive assisted by a few subordinates.

? Pause and Ponder

Should this happen? Would this happen? Could this happen? How could all HR activities be outsourced? Can a firm function with a HR department organised on perfunctionary basis? Answer these questions.

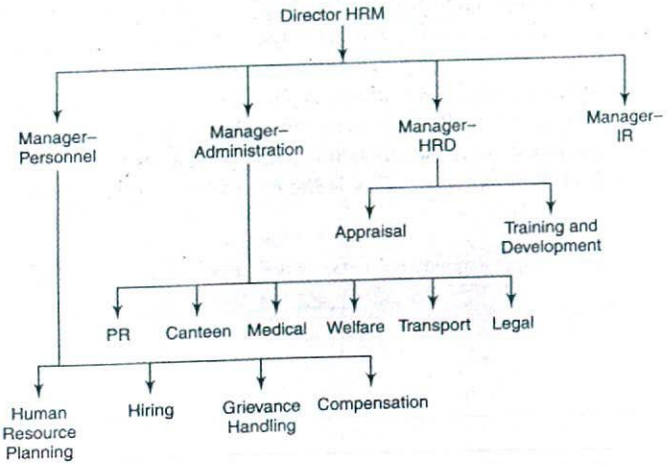


Fig. 1.5 Composition of a HR/Personnel Department

PARADOXES IN HRM

Paradoxes abound in HRM. Its decades old existence seems to have not helped the HRM mature into a perfect profession. It has lent itself to vulnerability. Any individual can become a HR manager, any of its practices can be outsourced and an organisation can function without a HR department.

Why this status? This is because of internal paradoxes. On the one hand, supporters of HRM claim that it is indeed a magic wand that can change fortunes of organisations. But the counter argument is that HRM is more theoretic than a reality and that a lot of hype has been created around it by the supporters. HRM has little support of evidence and has been a convenient dustbin of rationalisation to support ideological shifts in the employment relationship brought out by market shifts.[7]

Supporters of HRM contend that the field has grown from IR to PM to HRM to HCM claiming that HR manager now plays a strategic role in a firm unlike in the past when it was purely an administrative function. But the term HRM itself is subject to criticism. It has been pointed out that there is a 'brilliant ambiguity' in the term HRM. The term means whatever one chooses it to mean. Assuming that the term HRM is accepted, it lacks the capacity to transform or replace deeply-rooted models of IR and PM.

Supporters of HRM claim that the HR manager is a change agent and a transformational leader, and his or her function is panacea for all organisational ills and societal evils. Critics retort by alleging that many organisations are driven more by other objectives than HRM, which is often non-existent or has been given perfunctory treatment where it exists. The financial or operations orientations of companies take precedence over the avowed practices. Further, the belief that HRM can transcend national culture has been questioned.

Supporters of HRM claim that new organsiational designs have been introduced to improve productivity and employee autonomy. But the so called benefits arising from the new organisational forms are accompanied by a number of deleterious consequences on the psychological contract, which have the effect of undermining other espoused goals such as loyalty and commitment.

There is also confusion with regard to the major role of HRM—is it caring or controlling? However, much the 'caring' claim is made, in reality all HR practices produce knowledge about work activities and employee's behaviour that enables the work force to be more easily controlled; an entire battery of HR practices is designed to make employees more 'governable' and to bring order and stability to organsational life.[8]

Paradox is also observed in the role deemed to have been assigned to the HR manager. The HR manager is expected to play strategic role. The fact that the subject is now called HRM instead of the earlier personnel management denotes elevation of the status of people's manager to strategic importance. But the reality is different. True, the personnel department is now christened the HR department and its manager is called the HR Manager/HR Director/HR Executive. Elevation appears to be more in terminology than in spirit. Rarely is the HR manager taken into confidence in a merger or an acquisition deal and seldom is he or she consulted in decision making.

What Charles Dickens's wrote in **A Tale of Two Cities**, more than hundred years ago aptly typifies the HR paradoxes. He wrote:

"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredibility, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despairs, we had everything before us, we had nothing before us, we were all going direct to heaven, we were all going direct the other way."

The paradoxes, though disturbing need not make the reader despair about HRM. There is a silver lining amidst dark clouds. The HR manager does create an infrastructure in the organisation that affects employees, customers, line manager, and investors. When HR practices align with firm's strategies, its goals are met and sustained. The HR manager allows functional experts to help sustain organisational results. When he or she functions effectively, the HR department becomes an example of how to bring specialist expertise to business requirements. The HR manager values people and works to create both competitive and compassionate organsations. When HR professionals develop competencies and play appropriate roles, they become partners and players in business. The greatest contribution from HR executives is that they build organsiation capabilities. These organisation capabilities generate market value through the intangibles they create. Capabilities that lead to intangible market value include speed, talent, collaboration, accountability, shared mindset, learning and leadership. HR professionals convert intangibles into tangibles by building organisation capabilities. Organisation capabilities are the deliverables of HRM.[9]

It may also be stated that there is a cognate body of prescription, policy and analysis which is directed at the notion of HRM as a perspective that is central to employment relationship. Whether HRM is driven by ideological goals, or any other goals—strategic, operational, or market goals, its language, practices and adoption suggest that it is perhaps the most significanct perspective on the employment relationship to emerge in the last fifty years. Its significance lies not so much in the observable practice of its functions, but in the assumptions that it permits practitioners to make. The assumptions are that—(i) it is capable of contributing to, and drawing from the highest levels of managerial policy; (ii) it is driven by both strategic and operational goals; and (iii) it conceives of the organisation as an environment in which managerial discretion is permitted free rein and accepted as major managerial responsibility which is not moderated by external bodies such as trade unions.

HR managers have started speaking the language of business. They seek to justify the economic value of their actions. Cost-benefit analysis is being increasingly applied to all the areas of HR activities and is explained at appropriate places in this book.

The HR job is highly coveted one and so are the HR practices that are becoming highly visible in organisations. As stated earlier, designations of HR professionals and nomenclatures of HR departments have been changed. Executives everywhere are eloquent about the role of human resource in the successful functioning of organisations. Exhibit 1.1 is an ample testimony about the significance of HRM.

Exhibit 1.1 ***We Like HR***

We like HR. We like HR practices that deal with people, performance, information and work because they create an infrastructure that affects employees, customers, line managers and investors. We like the HR function because it allows functional experts to help sustain organisation results. When the HR function

operates well, it becomes an example of how to bring specialist expertise to business requirements. We like HR professionals because, for the most part, they value people and they work to create both competitive and compassionate organisations. When HR professionals develop competencies and play appropriate roles, they become partners and players in the business. We like the intellectual challenges of figuring out how HR practices, functions, and professionals add even greater value. We like the HR professionals because they make intangibles tangible by building organisation capabilities. Organisation capabilities are the deliverables of HR.

We believe that HR professionals should focus more an deliverables than on doables or routine activities. We believe that key deliverable are organisation capabilities and intangibles that define the organsiation's identity and personality and that deliver high performance to all stakeholders. We believe that HR leaders can align practices to more effectively execute business strategy. We believer that HR professionals who demonstrate the right competencies and play the right role will be more effective than those who do not. And we believe that with creative thought and discipline, these beliefs will become actions that deliver value. In sum, we believe that this is a great time to be an HR professional.

Source: Excerpted from *The HR Value Proposition* by Dave Ulrich and Wayne Brockbank.

Organisations have started respecting human resource as an important resource and are assigning monetary value to their employees. Business magazines have started writing about best employment practices of reputed companies. Agencies specialising in human resource management also list the best employers as Table 1.3 shows.

The Hewitt Best Employers India 2007 listed the best 25 employers. The top 10 of them are shown in Table 1.3.

Table 1.3 Best Employers 2006-2007

Rank	*Name of the Company/Group*	*Year of Incorporation*	*Global Revenue*	*No. of Employees*
1	A.V. Birla Group	1949	$ 12 billion	88,000
2	Satyam Computer Services	1987	Rs. 4,793 crores	40,000
3	J.W.Marriott	1999	$ 100 million (India)	2,100 (India)
4	Eureka Forbes	1982	Rs. 850 crores	8,064
5	Cisco India	1995	$ 30 billion	2,200 (India)
6	Godrej Products	2001	Rs. 657 crores	1,190
7	Agilent Tech	1999	$ 4.97 billion	1,250 (India)
8	Scope International	2000	$ 135 million	4,600 (India)
9	TCS	1968	Rs. 11,214 crores	83,500
10	Kotak Mahindra Bank	2003	Rs. 937 crores	5,293

Two things are common to all the best employers: they have built an inventory of people practices that are both unique and tailored for their firms. Besides, they take the trouble to painstakingly create a work environment that gets the best out of their employees, make them feel good about their work and their future in the organisation. The real secrets on why the best employers are so are simply the obvious:

(i) Effective and committed leadership
(ii) Astute management of talent
(iii) Spotting and attracting talent
(iv) Setting high goals
(v) Coaching for performance
(vi) Strong review and reward systems
(vii) Building skills for the future
(viii) Building growth into every job

PERSONNEL POLICIES AND PRINCIPLES

Policies

Policies are plans of action. Organisations need to evolve HR policies as they ensure consistency and uniformity in treating people. They help motivate and build loyalty. Policies become benchmarks to compare and evaluate performance.

A policy is a plan of action. It is a statement of intention committing the management to a general course of action. When the management drafts a policy statement to cover some features of its personnel programmes, the statement may often contain an expression of philosophy and principle as well. Although it is perfectly legitimate for an organisation to include its philosophy, principles and policy in one policy expression, it is desirable for a student of HRM to separate a principle from a policy. The following statement is an expression of a principle or an objective:

It is the intention of the company to provide a safe plant and a healthy working environment.

The statement is too general to be of any use. A policy statement, on the other hand, is more specific and commits the management to a definite course of action. The following is a policy:

Our policy is to institute every practical method for engineering safety into our processes and equipment, to provide protective clothing where necessary, to train employees in safe operating procedures, and to vigorously enforce established safety rules. Our policy is to provide a healthy plant by giving adequate attention to cleanliness, temperature, ventilation, light and sanitation.

A policy does not spell out the detailed procedure by which it has to be implemented. That is the role of a *procedure*. A procedure is in reality a method for carrying out a policy. A policy should be stated in terms broad enough for it to be applicable in varying situations. Lower-level managers who apply a policy must be allowed some discretion in carrying out the policy. The circumstances between two departments or sections vary. Hence a rigid, excessively detailed policy statement might cause injustice, if not granted some latitude.

WHY ADOPT POLICIES?

Organisations should have personnel policies as they ensure the following benefits:

1. The work involved in formulating personnel policies requires that the management give deep thought to the basic needs of both the organisation and the employees. The management must examine its basic convictions as well as give full consideration to the prevailing practices in other organisations.
2. Established policies ensure consistent treatment of all personnel throughout the organisation. Favouritism and discrimination are, thereby, minimised.

3. Continuity of action is assured even though top-management personnel change. The CEO of a company may possess a very sound personnel management philosophy. He/she may carry the policies of the organisation in his/her head, and he/she may apply them in an entirely fair manner. But what happens when he/she retires or resigns? The tenure of office of any manager is finite. But the organisation continues. Policies promote stability.
4. Policies serve as a standard of performance. Actual results can be compared with the policy to determine how well the members of the organisation are living upto the professed intentions.
5. Sound policies help build employee motivation and loyalty. This is especially true where the policies reflect established principles of fair play and justice and where they help people grow within the organisation.
6. Sound policies help resolve intrapersonal, interpersonal and intergroup conflicts (*see* Exhibit 1.2 for a typical personnel policy).

Exhibit 1.2 ***Personnel Policy of ABB India***

Satisfied customers and motivated employees are of vital importance to ABB's long-term competitiveness. Each employee shall:

- Understand his/her role.
- Have the necessary empowerment.
- Take responsibility.
- Develop his/her competence: knowledge, will and ability.
- Clearly defined objectives for both the individual and the work team shall be the cornerstone of our activities.
- Respect for, and confidence in the individual shall characterise our work environment. This must be safe and stimulating.
- The local unions shall be natural co-operation partners.
- Each manager at ABB shall continually develop his/her management skills and leadership so as to be able to assume full responsibility for the employees.
- Planning discussions shall be held at least once a year with each individual employee.
- The goal of our learning organisation is to achieve a continuous development of competence, internal mobility as well as employee development and to provide career opportunities consistent with abilities.
- Ethics, equal opportunities and an open and honest exchange of thoughts and ideas are the cornerstone of our actions.
- The implementation of the personnel policy is a strategic issue in which we must all participate.

A few specific personnel policies are:

- Policy of hiring people with due respect to factors like reservation, sex, marital status, and the like.
- Policy on terms and conditions of employment—compensation policy and methods, hours of work, overtime, promotion, transfer, lay-off, and the like.
- Policy with regard to medical assistance—sickness benefits, ESI and company medical benefits.
- Policy regarding housing, transport, uniform and allowances.
- Policy regarding training and development—need for, methods of, and frequency of training and development.
- Policy regarding industrial relations—trade-union recognition, collective bargaining, grievance procedure, participative management, and communication with workers.

Formulating Policies What are the sources and content of personnel policies? How to formulate a policy relating to hiring, training, remunerating or resolving an industrial dispute? There are five principal sources for determining the content and meaning of policies:—**(i)** past practice in the organisation; **(ii)** prevailing practice in rival companies; **(iii)** attitudes and philosophy of founders of the company as also its directors and the top management; **(iv)** attitudes and philosophy of middle and lower management; and **(v)** the knowledge and experience gained from handling countless personnel problems on a day-to-day basis.

Policies must be stable. Stability creates a climate of security and removes uncertainty from the minds of employees. The application of policies must be consistent over a period of time and uniform across departments and among the same category of employees. Yet policies should not be rigid. Flexibility, as pointed above, in interpretation is necessary to meet the changing conditions. Again, a policy must enunciate a principle and not care for minute details. Further, a policy must reflect the goals and values of the organisation. Personnel policy is not an isolated document. It is an integral part of the overall corporate philosophy of the company.

Principles

If policy is a guide for managerial decisions and actions, principle is the fundamental truth established by research, investigation and analysis. Many personnel principles have been established through practice, experience and observation. Principles are universal truths generally applicable to all organisations. Policies, on the other hand, vary from organisation to organisation. Principles guide managers in formulating policies, programmes, procedures, and practices. They also come handy in solving any vexing problem. Some of the personnel principles are:

1. *Principle of individual development* to offer full and equal opportunities to every employee to realise his/her full potential.
2. *Principle of scientific selection* to select the right person for the right job.
3. *Principle of free flow of communication* to keep all channels of communication open and encourage upward, downward, horizontal, formal and informal communication.
4. *Principle of participation* to associate employee representatives at every level of decision making.
5. *Principle of fair remuneration* to pay fair and equitable wages and salaries commensurating with jobs.
6. Principle of *incentive* to recognise and reward good performance.
7. *Principle of dignity of labour* to treat every job and every job holder with dignity and respect.
8. *Principle of labour management co-operation*—to promote cordial industrial relations.
9. *Principle of team spirit* to promote co-operation and team spirit among employees.
10. *Principle of contribution to national prosperity* to provide a higher purpose of work to all employees and to contribute to national prosperity.

HRM MODELS

Till now our discussion centered around the nature of HRM, its function, its policies and principles. It is time that we understand the theoretical perspectives on HRM—its defining features, popularlty called models. Four major models have been identified and all these serve as many purposes.[10]

1. They provide an analytical framework for studying HRM (for example, situational factors, stakeholders, strategic choice levels, competence).
2. They legitimise certain HRM practices; a key issue here being the distinctiveness of HRM practices: "It is not the presence of selection or training but a distinctive approach to selection or training that matters."

3. They provide a characterisation of HRM that establishes variables and relationship to be researched.
4. They serve as a heuristic device—something to help us discover and understand the world for explaining the nature and significance of key HR practices.

The four HR models are: (i) The Fombrun, (ii) The Harvard, (iii) The Guest, and (iv) The Warwick.

The Fombrun, Tichy and Devanna Model Being the first model (dates back to 1984), this emphasises just four functions and their interrelatedness. The four functions are: selection, appraisal, development and rewards. These four constituent components of HRM are expected to contribute to organisational effectiveness as shown in Fig. 1.6.

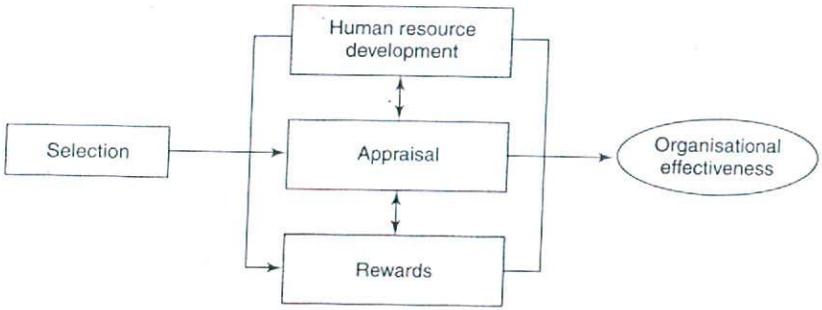


Fig. 1.6 The Fombrun Model of HRM

The Fombrun model is incomplete as it focuses on only four functions of HRM and ignores all environmental and contingency factors that impact HR functions. Nevertheless, the model deserves appreciation for being the first and has set stage for other theories to emerge. It is also a simple model that serves as a heuristic framework for explaining the nature and significance of the key HR activities. The model also deserves appreciation for emphasising interrelationship among the four activities and their collective impact on organisational effectiveness.

The Harvard Model The Harvard model claims to be comprehensive in as much as it seeks to comprise six critical components of HRM. The dimensions included in the model are: stakeholders interests, situational factors, HRM policy choices, HR outcomes and long-term consequences (See. Fig. 1.7)

The **stakeholders** interests recognise the importance of 'trade offs' between the interests of the owners and those of employees. Trade offs also exists among other interest groups. But this is the challenge of HR manager. He or she needs to balance the interests of all stakeholders.

The **situational factors** influence management's choice of HR strategy. The contingent factors included in the model include work force characteristics, management philosophy, labour market, task, technology, and laws and social values. These situational factors do influence HR strategy and their inclusion in the model is a welcome thing.

HRM policy choices emphasise the management's decisions and actions in terms of HRM can be fully appreciated only if it is recognised that they result from an interaction between constraints and choices. The model depicts management as a real actor, capable of making at least some degree of unique contribution within environmental and organsiational parameters and of influencing those parameters themselves over-time.[11]

Organisational commitment, employee competence, congruence and cost effectiveness constitute **HRM outcomes**. The assumption here is that employees have talents which are rarely exploited for organisational growth and that they are willing to grow with the organisation if a participative environment is available.

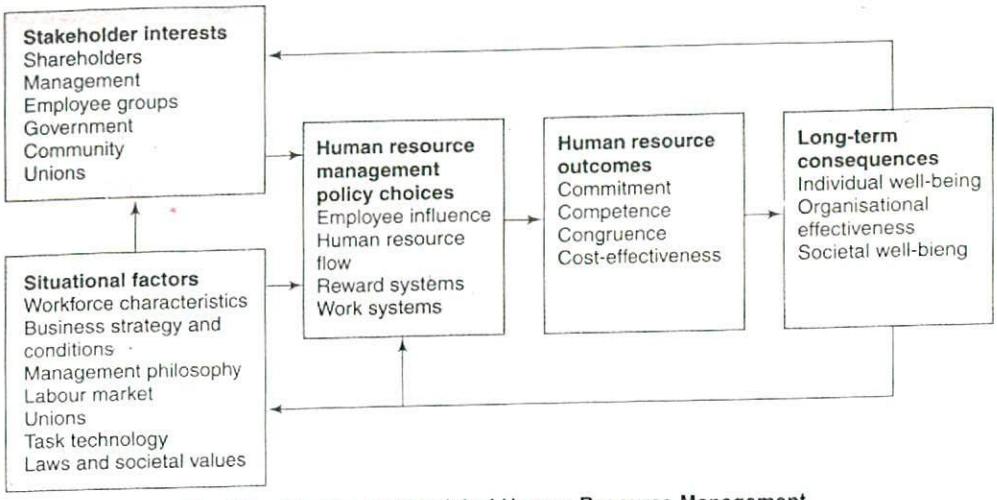


Fig. 1.7 The Harvard Model of Human Resource Management

The **long-term consequences** include societal well-being, organisational effectiveness, and individual welfare. There is obvious linkage among the three. Employee welfare leads to organisational effectiveness and efficacy of all organisations contributes to societal well-being.

The **feedback loop** is the sixth component of the Harvard model. As was stated above, situational factors influence HRM policy and choices, and are influenced by long-term consequences. Similarly, stakeholders' interests influence HRM policy choices, and inturn, are impacted by long-term outcomes (See Fig. 1.7).

The Guest Model Yet another HRM model was developed by David Guest in 1997 and claims to be much superior to other models. The details will justify the claim. This model claims that the HR manager has specific strategies to begin with, which demand certain practices and when executed, will result in outcomes. These outcomes include behavioural, performance related and financial (See Fig. 1.8).

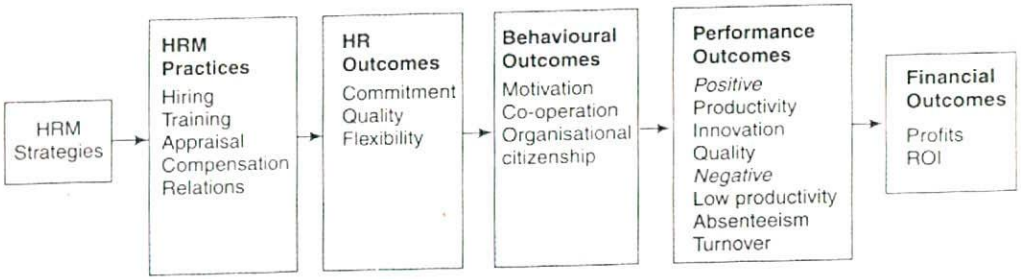


Fig. 1.8 The Guest Model of HRM

The model emphasises the logical sequence of six components (as shown in Fig. 1.8): HR strategy, HR practices, HR outcomes, behavioural outcomes, performance results and financial consequences. Looking inversely, financial results depend on employee performance, which in turn is the result of action oriented employee behavours.. Behavioural outcomes are the result of employee commitment, quality and flexibility.

which, in turn, are impacted by HR practices. HR practices need to be in tune with HR strategies which are invariably aligned with organisational strategies (Read Chapter 3 for more details).

The claim of the Guest model that it is superior to others is partly justified in the sense that it clearly maps out the field of HRM and delineates the inputs and outcomes. How HRM can contribute to organisational effectiveness is clearly shown in the model. But the dynamics of people management are so complex that no model (including the Guest model) can capture them comprehensively.

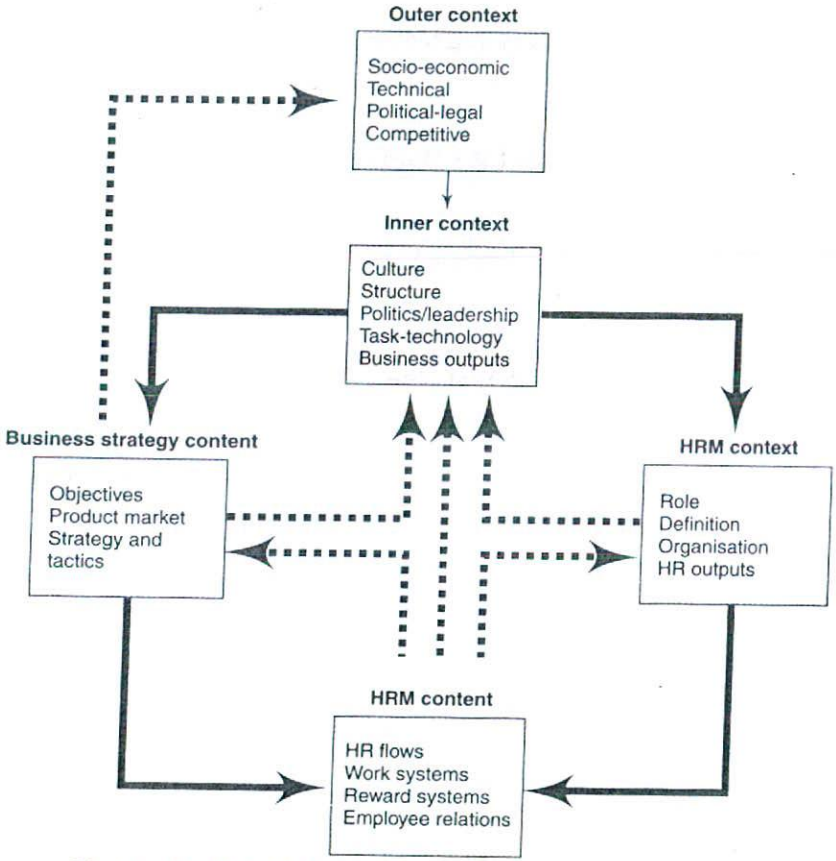


Fig. 1.9 The Warwick Model of Human Resource Management

(*Source:* Figures 1.7 and 1.9 are based on *Human Resource Management* by John Bratton and Jeffrey Gold)

The Warwick Model This model was developed by two researchers, Hendry and Pettigrew of University of Warwick (hence the name Warwick model). Like other models, the Warwick proposition centres around five elements: (see also Fig. 1.9):

- Outer context (macro environmental forces)
- Inner context (firm specific or micro environmental forces)
- Business strategy content

- HRM context
- HRM content

The Warwick model takes cognisance of business strategy and HR practices (as in the Guest model), the external and internal context (unlike the Guest model), in which these activities take place, and the process by which such changes take place, including interactions between changes in both context and content. The strength of the model is that it identifies and classifies important environmental influences on HRM. It maps the connection between the external and environmental factors and explores how HRM adapts to changes in the context.[12] Obviously, those organisations achieving an alignment between the external and internal contexts will achieve performance and growth.

? Pause and Ponder

Looking at the four models described in this section, what similarities and dissimilarities do you notice among them? What assumptions do they make? What lessons do they carry to practising HR managers and students of HRM?

A Model for this Book

We follow the model shown in Fig. 1.10 for the purpose of this book. The HR manager needs to evolve his or her own strategies that should be aligned with firm's strategies. In playing this role, the HR professional works to be a strategic partner, helping to ensure the success of business strategies. Chapter 3 in this book is devoted to a discussion on HR strategic management.

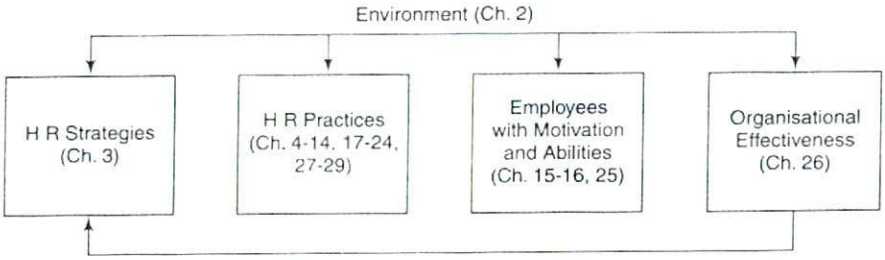


Fig. 1.10 HRM Model

HR strategies should result in certain practices that include:
Human Resource Planning (Ch. 4)
Analysing Work and Designing Jobs (Ch. 5)
Recruiting Human Resources (Ch. 6)
Selecting Human Resources (Ch. 7)
Inducting New Hires (Ch. 8)
Training, Development and Career Management (Ch. 9)
Appraising and Managing Performance (Ch. 10)
Managing Basic Remuneration (Ch. 11–14)
Communicating with Employees (Ch. 18)
Managing Betterment Work (Ch. 19)
Ensuring Safe and Healthy Environment (Ch. 20)
Managing Separations and Rightsizing (Ch. 21)

Managing Industrial Relations (Ch. 22–24)
Contemporary Issues in Human Resource Management (Ch. 27)
International HRM (Ch. 28)
e-HR (Ch. 29)

These practices should be based on HR principles and policies (Ch. 1) and should be institutionalised. Institutionalised practices avoid ambiguities, sustain consistencies and promote a healthy environment.

A healthy environment gives a set of motivated employees with requisite capabilities and the drive to perform (Ch. 15–17). Employees need to be embedded with ethical values (Ch. 25) in order to make them chiseled individuals who are inspired not by petty monetary benefits alone but by a clear conscience, who bear ups and downs in the organisations with forbearance and equality, and who stay put with the organisation.

A firm that has motivated employees backed by capabilities is sure to achieve its cherished goals. Whether or not the organisation is effective is revealed through HR evaluation (Ch. 26). An organisation performing poorly needs to have a relook at its strategies, practices and motivational tools and practices. Finally, the HRM process is subject to the influence of both external and internal factors (Ch. 2).

EVOLUTION OF HRM

As a part of introduction to the subject, it is useful to study the evolution of HRM. HRM, a relatively new term, emerged during the 1970s. Many people continue to refer to the discipline by its older, more traditional titles, such as personnel management or personnel administration.

The trend is changing. The term nowadays used in industry circles is HRM. Coming to the evolution of HRM as a subject, it may be stated that concern for the welfare of workers in the management of business enterprises has been in existence since ages. Kautilya's *Arthashastra* states that there existed a sound base for systematic management of resources during as early as the 4th century BC. The government then took an active interest in the operation of public and private sector enterprises and provided systematic procedures for regulating employer-employee relationships.

Elsewhere, human resources in organisations received the managements' attention much earlier. As early as in 1800 BC itself, 'minimum wage rate' and 'incentive wage plan' were included in the Babylonian Code of Hammurabi.

Experts of HRM in our country have tried to chronicle the growth of the subject only since the 1920s. This was the period when state intervention to protect the interests of workers was felt necessary because of the difficult conditions which followed the First World War, and the emergence of trade unions. The Royal Commission (1931) recommended the appointment of labour-welfare officers to deal with the selection of workers and to settle their grievances. The Factories Act, 1948, made appointment of welfare officers compulsory in industrial establishments employing 500 or more workers each.

In course of time, two professional bodies, the Indian Institute of Personnel Management (IIPM) and the National Institute of Labour Management (NILM), were set up. IIPM had its headquarters at Kolkota and NILM at Mumbai. These two places were the premier centres of traditional industry (jute and cotton respectively) in pre-independent India.

The aftermath of the Second World War and the country's political independence witnessed increased awareness and expectations of workers. During the 1960s, the personnel function began to expand beyond the welfare aspect, with labour welfare, IR and personnel administration integrating into the emerging profession called personnel management (PM). Simultaneously, the massive thrust given to the heavy industry in the context of planned economic development, particularly since the Second Five-Year Plan and the accelerated growth of the public sector in the national economy resulted in a shift in focus towards professionalisation of management.

By the 1970s, a shift in professional values was discernible. It shifted from a concern for welfare to a focus on efficiency. In the 1980s, professionals began to talk about new technologies, HRM challenges and HRD. The two professional bodies, IIPM and NILM, merged in 1980 to form the National Institute of Personnel Management (NIPM).[13]

In the 1990s, the emphasis shifted to human values and productivity through people. Reflecting this trend, the American Society for Personnel Administration (ASPA) was renamed as the Society for Human Resources Management (SHRM). Thus, beginning in the 1920s, the subject of HRM has grown into a matured profession. Table 1.4 shows the evolution of HRM.

Table 1.4 **Evolution of HRM in India**

Period	*Development Status*	*Outlook*	*Emphasis*	*Status*
1920s–1930s	Beginning	Pragmatism of capitalists	Statutory, welfare, paternalism	Clerical
1940s–1960s	Struggling for recognition	Technical, legalistic	Introduction of techniques	Administrative
1970s–1980s	Achieving sophistication	Professional, legalistic, impersonal	Regulatory, conforming, imposition of standards on other functions	Managerial
1990s	Promising	Philosophical	Human values, productivity through people	Executive

Source: C.S. Venkataratnam and B.K. Srivastava, *Personnel Management and Human Resources*, p. 5.

HUMAN CAPITAL MANAGEMENT

The journey of people management is touching yet another milestone. The term HRM is now sought to be replaced by Human Capital Management (HCM). HCM refers to the task of measuring the cause and effect relationship of various HR programmes and policies on the bottom line of the organisation. It seeks to obtain additional productivity.

HR professionals must now become human capital developers. As capital developers, HR executives focus on the future, often one employee at a time, developing plans that offer each employee opportunities to develop future abilities, matching expectations with opportunities. The role also includes helping employees unlearn old skills and acquire new ones. HR professional should invest resources to shape employees for the future, and not the past. Often, these employee development plans may be carried out online through an employee portal where opportunities in the firm are listed and employees ascertain if they are prepared for such opportunities. At other times, employee development programmes are embedded in HR programmes like performance or career management.[13]

What is the difference between HRM and HCM? The former is a one-size-fits-all approach. What one company follows can be replicated in another. In HCM, the professional seeks to identify what is best for

his company. He or she seeks to finetune HR policies and practices to fit the culture of his or her company. Secondly, HRM is the responsibility of a centralised or a decentralised department. HCM is the job of every one in the business, from employees to executives.[14]

JOBS AND CAREERS IN HRM

HR positions in organisations can be divided into three categories—HR specialist, HR manager, and HR executive. In addition, there are numerous support positions (e.g. clerical and programming).[15]

HR Specialist

The HR specialist jobs are usually the entry-level positions for an HRM career. Included would be such roles as interviewer, compensation analyst, benefits co-ordinator, job analyst, and trainer. In large firms, there may be promotional opportunities within the specialised function. For example, a new specialist may begin as an interviewer, move up to co-ordinating campus recruitment in a region, and progress to supervising all campus recruitment.

Alternatively, an entrylevel specialist may work in a consulting firm that provides HR services. In this case, the specialist may do a little of everything. For example, in any given day, the specialist might run an orientation programme for new employees, interview applicants, develop information for contract negotiations, or look for information on wage structures in other firms in the area.

HR Manager

The HR manager is a generalist who administers and co-ordinates programmes cutting across functional areas. The HR manager is usually a top-ranking person at a plant or facility and, as such, is expected to know about all areas of HRM. This is because the HR manager has to oversee the implementation of the HR policies at the facility and advise line managers on HR issues.

Yet another role for the HR manager is to head a functional personnel activity at the corporate level. Many large firms are organised into relatively more autonomous divisions. Typically, such firms have functional specialists at the corporate level who translate the firm's corporate strategy into an HR policy and transmit this policy to all the divisions. For example, the corporate headquarters may have a manager of affirmative action engaged to develop a comprehensive plan based on corporate objectives and commitments. The manager would then co-ordinate with the divisional HR managers to make sure that the plans at the local level are consistent with the corporate objectives.[16]

HR Executive

The top-level HR executive, usually the vice-president of an organisation, has the responsibility of linking the firm's corporate policy and strategy with HRM. The HR executive is also expected to feed inputs into the organisational goals, especially if these goals affect or are affected by personnel activities. It is important to consider HR opportunities and limitations in establishing overall organisational directions.

WHY STUDY HRM?

Towards the end of this chapter, we pose a pertinent question and answer it too. The catechize is why study HRM ? Response to the question is in the lines that follow.

As we stated in the beginning of this chapter, taking a look at people is a rewarding experience. It is the people who possess skills, abilities and aptitudes that offer competitive advantage to a firm. It is only human resource that is capable of deciding, implementing and controlling activities. No computer can substitute human brain, no machines can run without human interventions and no organisation has mandate to exist if it cannot serve people's needs. HRM is a study about people in organisations— how they are hired, trained, compensated, motivated and maintained.

A factory is built not by god, but by human beings. It is people who build factories, structure organisations and manage them successfully. How an idea is conceived by an entrepreneur, how building is constructed and machinery installed, how needed inputs are marshalled and put to use, and how goods and services are produced, is a saga which is no less thrilling and exciting than a general leading army to victory in a war, an invention made by a scientist or a remedy discovered to cure AIDS disease. HRM, as stated above, offers a comprehensive picture about the people in organisations.

The rapid growth of globalisation has increased the number and significance of MNCs which in turn increased the mobility of people. Working for MNCs is a challenging task as the last chapter in this book tells. A typical management student is likely to take up a job in an MNC after completing his/her degree. A prior knowledge about HRM, particularly international HRM, keeps him/her prepared for the challenges lying ahead.

SUMMARY

Human Resource Management (HRM) is a management function that helps managers plan, recruit, select, train, develop, remunerate and maintain members for an organisation. HRM is the latest nomenclature used to denote personnel management (PM).

HRM has four objectives, namely (i) societal, (ii) organisational, (iii) functional, and (iv) personal.

Two issues arise when one talks about the organisation of HR function—(i) status of the HR department in the overall set-up, and (ii) composition of the department itself. Both depend upon the scale of operations and attitude of top management towards HRM. Outsourcing will have negative impact on HR department.

Four models of HRM seek to provide theoretical framework for the study of HRM.

Several paradoxes exist in the field of HRM. Paradoxes notwithstanding, HRM has definite role to play.

An organisation must have set policies, definite procedures and well-defined principles relating to its personnel. These contribute to the effectiveness, continuity and stability of the organisation.

Ever since its inception in the 4th century BC (much earlier in other countries), the HRM functions have gone a long way and have assumed a professional status today.

HRM offers several career opportunities to the aspirants.

KEY TERMS

HR models
HR paradoxes
HR policies
HR procedures
Human resource management
Human resource development
HR principles
Industrial relations

REVIEW QUESTIONS

1. Define HRM. Trace its evolution.
2. What is HRM? What are its functions and objectives?
3. Outline the policies and principles of HRM.
4. Explain the HRM models. Which according to you is the most comprehensive?
5. Bring out the paradoxes in HRM.

DISCUSSION QUESTIONS

1. Draw a suitable organisational structure for a business unit with a turnover of (i) Rs 50 crore, (ii) Rs 200 crore, and (iii) Rs 1000 crore. Also, sketch the HRM department for each.
2. "HRM policies and principles contribute to the effectiveness, continuity and stability of the organisation." Give your viewpoint.
3. "HRM is full of paradoxes. The field is high on rhetoric and low in content." Comment.
4. Place yourself in the role of an HR manager. How would you reverse the trend observed in the above question?

Closing Case-1

Enterprise Builds on People

When most people think of car-rental firms, the names of Hertz and Avis usually come to mind. But in the last few years, Enterprise Rent-A-Car has overtaken both of these industry giants, and today it stands as both the largest and the most profitable business in the car-rental industry. In 2001, for instance, the firm had sales in excess of $6.3 billion and employed over 50,000 people.

Jack Taylor started Enterprise in St. Louis in 1957. Taylor had a unique strategy in mind for Enterprise, and that strategy played a key role in the firm's initial success. Most car-rental firms like Hertz and Avis base most of their locations in or near airports, train stations, and other transportation hubs. These firms see their customers as business travellers and people who fly for vacation and then need transportation at the end of their flight. But Enterprise went after a different customer. It sought to rent cars to individuals whose own cars are being repaired or who are taking a driving vacation.

The firm got its start by working with insurance companies. A standard feature in many automobile insurance policies is the provision of a rental car when one's personal car has been in an accident or has been stolen. Firms like Hertz and Avis charge relatively high daily rates because their customers need the convenience of being near an airport and/or they are having their expenses paid by their employer. These rates are often higher than insurance companies are willing to pay, so customers who use these firms end up paying part of the rental bills themselves. In addition, their locations are also often inconvenient for people seeking a replacement car while theirs is in the shop.

But Enterprise located stores in downtown and suburban areas, where local residents actually live. The firm also provides local pickup and delivery service in most areas. It also negotiates exclusive contract arrangements with local insurance agents. They get the agent's referral business while guaranteeing lower rates that are more in line with what insurance covers.

In recent years, Enterprise has started to expand its market base by pursuing a two-pronged growth strategy. First, the firm has started opening airport locations to compete with Hertz and Avis more directly. But their target is still the occasional renter rather than the frequent business traveller.

Second, the firm also began to expand into international markets and today has rental offices in the United Kingdom, Ireland, and Germany.

Another key to Enterprise's success has been its human resource strategy. The firm carefully targets a certain kind of individual to hire; its preferred new employee is a college graduate from the *bottom* half of the graduating class, and preferably one who was an athlete or who was otherwise actively involved in campus social activities. The rationale for this unusual academic standard is actually quite simple. Enterprise managers do not believe that especially high levels of achievements are necessary to perform well in the car-rental industry, but having a college degree nevertheless demonstrates intelligence and motivation. In addition, since interpersonal relations are important to its business, Enterprise wants people who were social directors or high-ranking officers of social organisations such as fraternities or sororities. Athletes are also desirable because of their competitiveness.

Once hired, new employees at Enterprise are often shocked at the performance expectations placed on them by the firm. They generally work long, grueling hours for relatively low pay. And all Enterprise managers are expected to jump in and help wash or vacuum cars when a rental agency gets backed up. All Enterprise managers must wear coordinated dress shirts and ties and can have facial hair only when "medically necessary". And women must wear skirts no shorter than two inches above their knees or creased pants.

So what are the incentives for working at Enterprise? For one thing, it's an unfortunate fact of life that college graduates with low grades often struggle to find work. Thus, a job at Enterprise is still better than no job at all. The firm does not hire outsiders—every position is filled by promoting someone already inside the company. Thus, Enterprise employees know that if they work hard and do their best, they may very well succeed in moving higher up the corporate ladder at a growing and successful firm.[17]

Questions

1. Would Enterprise's approach to human resource management work in other industries?
2. Does Enterprise face any risks from its human resource strategy?
3. Would you want to work for Enterprise? Why or why not?

Closing Case-2

Conceptualise and Get Sacked

HSS Ltd. is a leader in high-end textiles having headquarters in Bangalore. The company records a turnover of Rs 1,000 cr. plus a year. A year back, HSS set up a unit at Hassan (250 km away from Bangalore) to spin home textiles. The firm hired Maniyam as GM-HR and asked him to operationalise the Hassan unit.

Maniyam has a vision. Being a firm believer in affirmative actions, he plans to reach out to the rural areas and tap the potentials of teenaged girls with plus two educational background. Having completed their 12th standard, these girls are sitting at homes, idling their time, watching TV serials endlessly and probably dreaming abut their marriages. Junior colleges are located in their respective villages and it is easy for these girls to get enrolled in them. But degree colleges are not nearby. The nearest degree college is minimum 10 km and no parents dare send their daughters on such long distances and that too for obtaining degrees, which would not guarantee them jobs but could make searching for suitable boys highly difficult.

These are the girls to whom Maniyam wants to reach out. How to go about hiring 1500 people from a large number who can be hired? And Karnataka is a big state with 27 districts. The GM-HR studies the geography of all the 27 districts and zeroes in on nine of them known for backwardness and industriousness.

Maniyam then thinks of the principals of Junior Colleges in all the nine districts as contact persons to identify potential candidates. This route is sure to ensure desirability and authenticity of the candidates. The girls are raw hands. Except the little educational background, they know nothing else. They need to be trained. Maniyam plans to set up a training centre at Hassan with hostel facilities for new hires. He even hires Anil, an MBA from UK, to head the training centre.

All is set. It is a bright day in October 2006. MD and the newly hired VP-HR came to Hassan from Bangalore. 50 principals from different parts of the nine districts also came on invitation from Maniyam and Anil. Discussions, involving all, go on upto 2 PM. At that time, MD and VP-HR ask Maniyam to meet them at the guest house to discuss some confidential matter.

In this meeting, Maniyam is told that his style of functioning does not jell with the culture of HSS. He gets the shock of his life. He responds on expected lines by submitting his papers.

Back in his room, Maniyam wonders what has gone wrong. Probably, the VP-HR being the same age as he is, is feeling jealous and insecure since the MD has all appreciation for the concept and the way things are happening. Maniyam does not have regrets. On the contrary he is happy that his concept is being followed though he has been sacked. After all, HSS has already hired 500 girls. With Rs 3,000 plus a month each, these girls and their parents now find it easy to find suitable boys.

Questions

1. What made the MD change his mind and go against Maniyam? What role might the VP-HR have played in the episode?
2. If you were Maniyam, what would you do?

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CHAPTER 2

Context of Human Resource Management

LEARNING OBJECTIVES

After reading this chapter you should be able to:

- identify the environmental factors that have a bearing on HRM
- describe each environmental factor and its impact on HR functions

Opening Case

DRAMATIS PERSONAE

1. The Relentless Politician

Netaji is a young and ambitious college dropout who has made a name for himself in his state— one of the BIMARU States—in the past 7–8 years through a variety of actions, fair and foul. At the moment he is an ex-MLA, having come pretty close to being made a Minister in the previous government in which his party was a coalition partner. Though he suffered an ignominious defeat in the last Assembly elections, nothing has changed his style of functioning. This style is what he has picked up from his colleagues and comrades in his party as well as what is being generally practised by politicians of all parties at all levels—starting from district and village levels to state administration. This style enables him to ignore all inconvenient or incontrovertible facts so that he can, with a single-minded dedication, pursue his immediate objective whatever it may be. It is his belief that this is the only style which is effective in his state and has permitted him to "do good" for his constituency and the people.

2. The Insipid Babu

Babu is a 55-year-old IIT post graduate with 30 years of industry-wide experience in hi-tech, sophisticated design and construction of complex engineering infrastructure. For the last 10 years he has been working in a CPSU which has its headquarters at Delhi. He is the regional chief covering an area that accounts for 40% of the total turnover of his company. He controls about 55% of the manpower of the company and has made several proposals in the past to enhance labour productivity in his region by appropriate redeployment of personnel both inside and outside his region. No one has opposed him on any ground of principle or policy, but yet he continues to be saddled with a large underemployed workforce. He has been told that there is an even chance of his being picked up for a Board level post in the next 6–8 months. He has spent over four years in his present job and is looking forward to either the promised promotion and shift to Delhi or a posting to South, a move which has the wholehearted approval of his wife and other family members since they happen to be South Indians.

3. The Suave CEO

This 45-year-old hot-shot from the private sector, with several successful international projects to his credit, was picked up through a competitive and transparent process by the Public Enterprises Selection Board (PESB) two years back. He expects to be confirmed very shortly in his job as CEO—a process which depends substantially on his minister's appreciation of his performance— after which he would have an unquestioned tenure as CEO. He has a doctorate in engineering and a doctorate in management. Most people in the company believe that it was his golden touch and leadership which boosted the company's performance to unusual levels, as he has a knack of sorting out time consuming problems and providing acceptable solutions. He attributes his success largely to the fact that he has a very clear and professionally satisfying equation with his boss, the Minister, whose support is an essential ingredient in the company's prospects for growth and expansion. He has certainly been lucky in that most major decisions which he initiated proved profitable and those which did not have played little or no role in the overall performance of the company. All time highs in profits, dividends and new ventures have contributed to a general feel-good factor across the company.

The Event

About six months ago the company had recruited 16 Field Engineers through an open selection process advertised nationally. These probationers had been put on various project sites all over the country except in Netaji's state. This exclusion of the state was on account of the emphatic stand by Babu that he did not need any more staff and that he would not deploy probationers on any meaningful jobs.

All probationers were required to go through an internal assessment process before they could be confirmed in service. The offer of appointment given to them had explicitly stated that their continuation in the company was subject to their satisfactory performance in the internal assessment. The assessment had been duly carried out and according to the reports received from the respective assessing authorities, 15 out of the 16 probationers had passed the internal assessment test. Confirmation orders for these 15 officers were being readied in the Head Office by the personnel manager of the company, and the termination notice was likewise on its way to the 16th candidate. This candidate was the brother of Netaji who accosted the CEO in his Delhi office on a Friday evening and demanded that:

- the 16th candidate should be declared to have passed his probation successfully,
- the officer who failed the candidate in the internal assessment should be punished, and
- the candidate should be posted to Netaji's state.

With his tone, body language and general bearing, Netaji impressed the CEO to the extent of extracting a promise that he would look into it and see that no injustice was done to the candidate on account of any mischief on the part of the assessing officer who had failed him. The CEO was, however, careful in not reacting to the other demand that the candidate should be posted to Netaji's state. Before they parted, Netaji made it clear that he was expecting a positive response and action by the next morning. He had dropped several broad hints that he was quite busy in Delhi, meeting with several VVIPs including the CEO's minister. The CEO was aware of Netaji's proximity to at least some of the VVIPs mentioned.

Later that evening the CEO spoke to the assessing officer who had failed the candidate. This officer was a senior regional chief about a 1000 km away from Netaji's state. From this phone call the CEO learnt that the candidate was pretty poor in technical knowledge, competence and skills, very indisciplined and disorganised at work and unbearable in inter-personal relations. He was frequently dropping Netaji's name and had shown himself to be obnoxious, boorish and unfriendly to everybody. He had gone around declaring, much before the internal assessment tests, that such tests had no meaning for him and that he would get back to his home state as soon as the probation period was over. The assessing officer finally confirmed that he had indeed given a very objective test and assessed the candidate on merits and found him unfit.

After this call, the CEO spoke to Babu and checked with him regarding the current standing of Netaji in the state politics as well as in the areas of concern to the company in view of its fairly well spread operations in the State. Babu reconfirmed that Netaji was indeed a force to reckon with politically and that he could cause disruptions in the company's operations if he set his mind to do so. He could do it indirectly through several organisations and unions who would be too happy to jump at a chance since the company was considered to be cash rich with a visible presence and opportunities galore. In his assessment, Babu concluded, that no work could be extracted from the brother of such a person if he was posted in the state. On the contrary, he feared such a posting would provide one more node to Netaji to operate from. He reaffirmed that there was absolutely no need to add to the strength of field engineers in the state or even in his region. He reminded the CEO that it was on his insistence that probationary field engineers were not posted in his region.

Much later that night, the CEO received a call on his mobile with a message that his minister wanted Netaji's matter to be settled expeditiously and as per rules. It appeared to the CEO that his minister was neither aware nor interested in details of the case. He just wanted the matter not to linger endlessly because there were bigger issues to be sorted out in the State which would perhaps require Netaji's participation in one way or the other.

Finally, before retiring for the day, the CEO called up his personnel manager and asked him to come up next morning with the relevant company rules and to hold up dispatch of the termination letter to the 16th candidate for the time being.

The Follow-up

The CEO received two early morning calls the next day which, being a Saturday, was an official holiday for the company. The first call was from Babu who said that he had sent him an e-mail on the pros and cons of acceding to Netaji's demands. It was his hope, he said, that the final decision in this matter would be taken keeping in view the contents of that communication. The next call was from Netaji who wished to confirm that things were happening as he wanted. The CEO told him to wait for the company's response.

When the CEO opened his mail he found the regional chief's e-mail .The note contained pros and cons of appointing candidate No. 16.

The CEO took a printout of the note and started for his office, to keep his appointment with Netaji.[1]

Context of HRM refers to the environment within which HR professionals need to function. Environment may be understood as all those forces which have their bearing on the functioning of the HR department. The forces are—political–legal, economic, technological, cultural, unions, organisational culture and conflict, and professional bodies. The first four together form the external environment and the last three factors constitute the internal environment of the HR department (*see* Fig. 2.1). Before examining these forces, it is useful to understand the utility of analysing the environment in which HR managers have to work.

Environment of HRM comprises political–legal, economic, technological, cultural (external), and conflict, unions, strategy, and professional bodies (internal). Knowledge about the environment helps the HR manager and his/her team to become proactive.

Analysis of the environment is useful for the HR manager and his/her team in order to become proactive and not remain reactive to the environment. Reactive strategy serves the purpose when the environment is fairly stable and competition is less severe. Both of these have become things of the past. Today's business environment is characterised by change and intense competition. Proactive steps are vital for any organisation if it has to survive in such an environment.

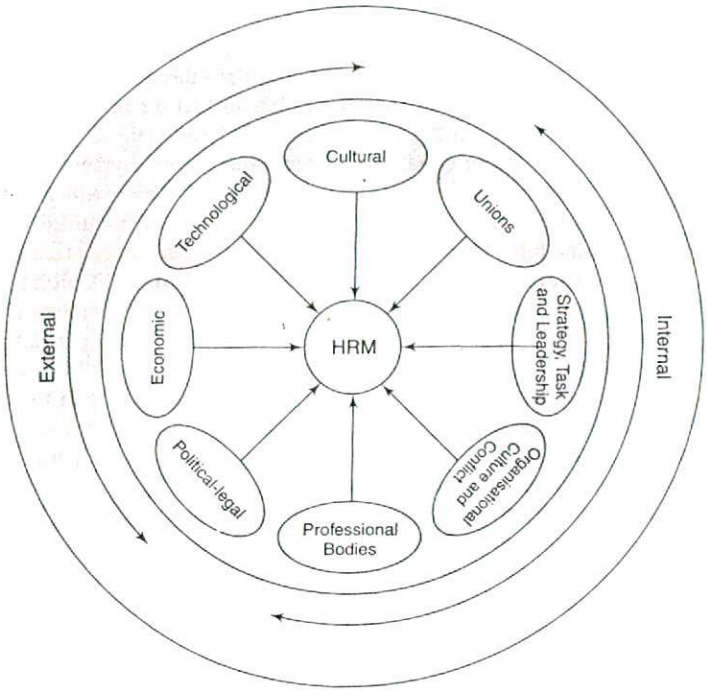


Fig. 2.1 HRM and its Environment

? Pause and Ponder

Take a look at Fig. 2.1. Do you think that the figure reflects all environmental factors? Any factor been left out? Any one (out of those included) is non-contextual? Comment.

EXTERNAL FORCES

As was stated earlier, external forces include political-legal, economic, technological, and cultural factors, the influence of which on HRM is considerable. Each of these external forces is examined in detail here.

Political-Legal

The political environment covers the impact of political institutions on the HRM department. In a democratic political setup (as opposed to a totalitarian system), there are three institutions which together constitute the total political environment. They are—**(i)** the legislature, **(ii)** the executive, and **(iii)** the judiciary.

The *legislature*, also called Parliament at the central level and Assembly at the state level, is the law-making body. The plethora of labour acts which are in force are enacted by the legislature. The *executive*, popularly known as the government, is the law-implementing body. The legislature decides and the executive acts. Above these two is the *judiciary* which has the role of a watchdog. The main function of the

judiciary is to ensure that both the legislature and the executive work within the confines of the Constitution and in public interest.

The interface between political environment and labour takes place through an array of labour laws. As was pointed above, we have so many enactments relating to labour that we have earned the sobriquet of being the largest labour-legislated country in the world. Some of these relate to terms and conditions of employment, some others relate to working conditions, a few others over payment of wages, and others contain provisions relating to industrial disputes. Then there is the Constitution which is the genesis of all acts. A few articles of the Constitution are worth mentioning here. Article 14 guarantees equality before the law. Article 15 prohibits discrimination on grounds of religion, race, caste, sex or place of birth. Article 16 guarantees equality of opportunity in matter of public employment. Article 23 prohibits forced labour. Article 24 prohibits employment of children in factories, mines or in other hazardous jobs. Article 38(d) guarantees equal pay for equal work both for men and women. Article 38(e) stipulates the health and strength of workers, for both men and women. It pledges that the tender aged children are not abused and that citizens are not forced by economic necessity to enter vocations not suited to their age or strength. Article 42 provides for just and humane conditions of work, and maternity leave for women. Living wages for workers are guaranteed by Article 43, while Article 43(a) provides for participation of workers in the management of industries. Overriding all these provisions is the protective discrimination clause which stipulates the need for reservation of jobs for weaker sections of the society.

What do all these provisions signify for HRM?

All HR activities are affected in one way or the other by them. To be specific, HR planning, recruitment and selection, placement, training and development, remuneration, employee relations, and separation are conditioned by Constitutional provisions. Constitutional provisions mandate affirmative actions which are desirable. But, often extraconstitutional powers put brakes on the way employees are hired or promoted as the opening case reveals.

Economic

Economic environment refers to all those economic forces which have a bearing on the HR function. Economic growth, industrial production, agriculture, population, national and per capita income, money and capital markets, suppliers, competitors, customers, and industrial labour are the components of the economic environment. The last four are highly relevant to HR activities. Another component of economic environment is globalisation. Hence, a brief description of each follows.

Suppliers For the HR department, suppliers are those who provide human resources to an organisation. Employment exchanges, universities, colleges, training institutes, consulting firms, casual-labour contractors, competitors, and the like are the sources that supply human resources. The type of employees the organisation receives depends on the suppliers.

Competitors Competition plays a significant role in some of the HR functions and activities. As the number of organisations competing for human resources increases, so does the importance of the staffing function and its appraisal and compensation activities. If several companies make job offers to one individual, the organisation with more attractive terms and conditions will win. When employees with particulars skills are hard to obtain, the organisation may need to groom its own employees through well-managed HR planning programmes co-ordinated with training and development activities.

Customers Customers have their own influence on a company's personnel functions. It needs no mention that customers want high-quality products at reasonable prices. So everybody in the organisation must endeavour to offer products which give satisfaction for the money customers pay. Sales are often affected

by product quality which is directly related to the skills and qualification of the organisation's employees.

Motor Industries Limited (MICO), Bangalore, has 12 quality principles. The fifth and sixth principles are worth quoting here. They are illustrative of customers' influence on personnel.

The fifth principle—'Our customers are final judges of our quality.'

The sixth principle—'Each and every employee in the company contributes towards achieving our quality goods. It is therefore the responsibility of every employee—from apprentice to the member of the Board—to ensure that their work is of the highest standard. Anyone who identifies quality, but does not have the authority to remedy it himself, must report it immediately to his superior.'

Economic Growth Whether a country is economically developed or not affects the quality of labour. Quality of labour in any country depends to a large extent on education and health available for its citizens. In advanced countries people and governments spend more on education and health; with greater wealth and education better quality labour is assured, which in turn ensures higher productivity. The inverse is likely to happen in low income countries which spend less on education and health. Uneducated citizens with poor health cannot contribute to productivity. Realising the relationship among health, education, quality labour and productivity, development policies tend to focus on these variables simultaneously.

Industrial Labour Over the years, certain changes have taken place in industrial labour, particularly in the organised sector. They are **(i)** commitment to industry, **(ii)** protective legislation, **(iii)** status, **(iv)** employment pattern, and **(v)** unionisation.

Labour is now *committed* to industrial setting, thus contributing to stabilising the workforce. True, the worker who takes up a job in an urban industrial area might have his/her moorings in a village. But, it is unlikely that he/she would go back to his/her village. The worker who settles down in the city, admits his/her children in city schools, buys a small residential house in the city and will gradually become an alien in his/her native village. Thus, the present generation of young workers is mostly born and brought-up in urban areas and has accepted industrial employment as a way of life.

But the sad part of the picture is that though labour is committed to *industry*, it is not committed to *work*. This is the reason for the low productivity of our industrial labour.

Protective legislation is another feature of our industrial labour. From time to time, the government has been enacting one legislation after another to protect the interests of workers. Thus, we have, as on date, 51 central acts spread over 2030 pages, and 103 state laws covering roughly 2970 pages, adding upto a total of 5000 pages of labour laws. Consequently, working conditions, job security, compensation, health and safety have improved considerably over the years. These improvements have been mainly due to protective legislation, though there were, in the past, enlightened employers who were ahead of their time in providing amenities to workers voluntarily. Such enlightened employees were, however, few and far between.

The *economic* and *social status* of today's workers has vastly improved. Industrial employment is no longer the undesirable alternative left for those driven out from their villages. Improved skill contents of the jobs, matching educational and training inputs and increased emoluments have made industrial employment the first attraction of young job seekers. Industrial employment is now not restricted only to the socially backward castes. The dynamic changes in the industrial sphere have, as the National Commission on Labour has observed, brought about a 'social amalgam'. The status of an industrial worker of today has enhanced as a result of the readjustment in the value system in favour of industrial employment which is, in turn, the aggregate effect of his/her improved skills, and his/her enlarged pay packet. The stigma attached to factory employment has gradually disappeared.

Naturally, age-old practices like holding name plates aloft and waiting hours at an airport or railway station with a car for an arriving managing director, taking the *saheb's* children to school, buying vegetables for the *saheb's* wife, and tending the boss's garden at home are resented and even protested against now.

Another feature noticed in industrial labour is the change that has come about in the *employment pattern* of labour. This is due to the changes in industrial activity, which has tremendously expanded and diversified and also undergone a technical transformation. In the early years, unskilled labour predominated the industrial employment scenario, when traditional industries like textile and mining were in the forefront. In the process of expansion and diversification, new avenues of industrial enterprise in engineering, chemicals, electronics, informatics and pharmaceuticals have assumed importance and have changed the composition of industrial employment. The improved technology of these new industries created jobs with greater skill content, thereby raising the minimum required standard of education.[2] No more do workers wear blue uniforms or work in 'smoke-stack' factories. No more are they ignorant of company decisions, new product launches, mergers or closures. No longer are 'chain of command' and 'unity of command' appreciated.

Marxist revolutionaries once argued that power flows to those who own the 'means of production'. Contrasting the factory workers with the pre-industrial craftsman who owned his own tools, Marx contended that workers would be powerless until they seized the 'means of production' from the capitalist class that owned them.

Today, we are going through the next powershift in the workplace. It is one of the grand ironies of history that a new kind of employee is emerging who, in fact, does own the means of production. The new means of production, however, are not to be found in the artisan's toolbox, or in the massive machinery of the 'smoke-stack' age. They, instead, originate in the employee's cranium, where society will find the singlemost important source of future wealth and power.[3]

Further, there is the *growth of trade unionism*. Industrial labour is organised today, primarily to protect and promote its own economic interests. Industrial workers in the early days, being mostly ignorant and illiterate, were led by outside sympathisers and their organisations had close links with political parties. These legacies have proved to be serious hurdles in the path of building up strong trade unions. Trade unions are multiple in number and weak in strength. It is agreed that strong trade unions are an essential prerequisite for the success of collective bargaining. In the absence of strong trade unions, the government increasingly intervenes in the sphere of IR, thereby leaving the trade unions weak and reducing bilateral relations to a mere formality. There has been in the field of IR in our country, a perennial controversy between the voluntary approach based on collective bargaining and the legal approach, providing for considerable state intervention for want of a collective/single bargaining agent. However, the industrial worker today is better organised than before. With higher levels of education, the workers have become more conscious and vocal regarding their rights. As the leadership is gradually coming from within, a tendency towards forming independent trade unions is growing.

Diversity Finally, the industrial labour is characterised by increasing *diversity*. Workforce of any factory comprises people from different countries. Within this diversity of national origins, there is an even wider diversity of cultures, religions, languages and dialects, educational attainment, skills, values, ages, races, genders, and other differentiating variables.

Organisations are becoming increasingly cosmopolitan. Days when organisations were manned with Shettys, Reddys, Nairs, Raos, Mehtas or Singhs, are over. A typical organisation is emerging as an amalgam of diverse workforce in terms of gender, race and ethnicity. One can find a Shastri rubbing shoulders with a Khan, both jostling with a Gowda, and all shaking hands with a Singh. Then there are physically handicapped, gays and lesbians, the elderly, and even people who are significantly overweight.

Though they work together, they maintain their distinct identities, diverse cultural moorings and separate lifestyles. HR managers must learn to live with these diverse behaviours. Diversity, if properly managed, can increase creativity and innovation in organisations as well as improve decision making by providing different perspectives on problems.

More specifically, diversity when built into organisations at different levels, offers the following benefits:[4]

- Access to a changing market place
- Large scale business transformation
- Superior customer service
- Empowered workforce
- Total quality
- Alliances with suppliers and customers
- Continuous learning

Benefits of managing diversity effectively are being quantified as the following examples demonstrate (read also Exhibit 2.1).

- Xerox plants using diverse work teams are now 30 per cent more productive than conventional plants.
- Procter & Gamble achieves 30–40 per cent higher productivity at its 18 diverse team-based plants than at its non-diverse plants.
- Motorola beat its competition by producing the world's most efficient and high-quality cellular phones which are produced almost exclusively by diverse work teams.
- Research has shown that organisations that proactively recruit, develop, and leverage multinational leaders are in better positions in the global marketplace.
- KFC experienced phenomenal success when it introduced its kosher line of chicken menus in Israel.
- GE Power Systems achieved 13 per cent productivity gains from cross-functional and multicultural teams versus homogenous teams.
- Numerous empirical studies of work teams demonstrate that when tasks are complex and not clearly defined, heterogeneous teams outperform homogeneous teams. 'Super teams', those that were diverse in numerous respects and selected because of their differences, outperformed those that were homogeneous.[5]
- "Unlike other MNCs, diversity for us is a business imperative and not an issue of legal compliance. We want HUL's management to be representative of our diverse customer base so that they understand the needs of the customer better. If a manager understands the brand she is handling, the learning curve is that much shorter. For instance, in marketing, if the target audience is women, it is an advantage if a woman is in charge of the brand," says Prem Kawath, HR Manager, HUL.[6]
- A majority of HUL customers are women but till 2000 women constituted only 5% of its management. Alarmed by this fact, the company put in place a plan to aggressively hire more women. It looked at companies like ICICI and IBM, which had a far better representation of women in their workplaces. HUL started several initiatives like a six month fully paid maternity leave as well as a 5-year sabbatical. It also grants maternity leave in case of adoption. The results are beginning to show. Today the number of women in HUL has gone up to 16 per cent.
- At IBM many women now have full time jobs working from home. Male managers at IBM are sensitised not to schedule meetings after 6.30 pm. IBM India now has 26% women in its work force.
- DuPont makes sure that for every job opening there is at least one woman candidate in the short list.
- At Wipro, managing diversity means accommodating people of different backgrounds and work experiences. Wipro has 1500 people of nationalities as diverse as Portugal, Austria, Sweden and Finland in its work force.[7]

The fact that mismanaging diversity shall result in dysfunctional consequences should not be ignored. When not managed effectively, diversity tends to lead to higher turnover, heightened interpersonal conflict and more difficult communication.

Exhibit 2.1 ***Management Diversity at Pacific Bell***

Pacific Bell, a telecommunications company operating in California, realised for two basic reasons that it had to change the way it traditionally recruited employees and managers. For one, the population of Hispanics, African Americans, and Asian Americans was increasing rapidly in California, but only a small percentage of these minorities attended college. If Pacific Bell continued to hire only through college and university campuses, its minority employees as a percentage of its total employees would most likely shrink. This would be especially true for Hispanics, because their population was growing at the fastest rate. Hence, while the percentage of Hispanics in California was growing, the percentage of Hispanics on the payroll of Pacific Bell was decreasing.

The other reason, Pacific Bell decided to change its recruitment, was based on forecasts by the company's planners that its largest growth in management jobs would be in the high-technology areas of engineering, marketing, and data systems. The work in these management jobs requires advanced technical skills and formal education, and they had traditionally been filled *via* promotion from lower levels. But the company recognised that promotions could not produce the number of skilled managers needed in the near future. So Pacific Bell developed a new recruitment strategy comprising four components:

1. Internal networking by a group called the Management Recruitment District designed to generate employee referrals; to establish networks of employees who had contacts in the minority communities; to identify employees who could serve as guest speakers for external presentations; and to make presentations at regularly-scheduled department staff meetings.
2. Advertising directed towards specific ethnic groups. The advertisements showed a diverse group of people employed in marketing, engineering, and management positions. These advertisements were placed in local and national publications serving the targeted minority communities on a regular basis to demonstrate the company's interest in minority hiring and the fact that it valued employee diversity. The same advertisements were placed in campus publications to announce appointment for employment interviews.
3. Establishment of contact with small institutions in the California State University system, which tended to enroll a higher proportion of minority students, as well as with Arizona State University and the University of New Mexico, both of which have large Hispanic enrollments. The company established relationships with minority student organisations and faculty (particularly those identified with business or technical fields) to identify issues and to offer support. For example, Pacific Bell developed a video, *Engineering Your Management Future*, to tell engineering majors about career paths in management.
4. At the local or national level of professional minority organisations, such as the National Hispanic Council for High Technology Careers, Pacific Bell sought advisors to help develop management candidates. The company even hosted a 2-day conference to address the alarming under-representation of Hispanics in the teaching and practice of science and engineering.

Pacific Bell also established an internship programme (the Summer Management Programme) for third-year college students, making them student ambassadors representing Pacific Bell's career opportunities. For managers from minority groups who were already employed, Pacific Bell offered 6-day, off-site training programmes conducted by external consultants and designed to help further develop their skills. The programmes also provided a safe place for participants to talk about sensitive issues such as covert racism and prejudice, topics not likely to be discussed in the work setting.

RESULTS

Over the programme's first 10 years, 1980–1990, minority managers increased from 17.5 per cent to 28.2 per cent (even after the significant downsizing that followed the AT & T divestiture in 1984). The company has won many awards for its recruitment among minorities. In 1990, Pacific Bell received the Exemplary Voluntary Efforts (EVE) award from the Department of Labour's Office of Federal Contract Compliance Programmes for its long-term commitment to equal employment opportunity.

Source: Waynef Cascio, *Managing Human Resources*, p. 71.

Impact of Globalisation Our economy is gradually getting integrated with the global economy. Globalisation has considerable influence on HR functions. Employee hiring, training, motivation, compensation and retaining are to be guided by the global perspective. By discharging these and other functions effectively and by helping the best-qualified people execute the company's strategy on a global scale, the department can become a source of competitive advantage for the company.

As every advanced nation is increasingly becoming globalised, skills and cumulative learning of its workforce become its competitive assets. All developed countries can design, produce, and distribute goods and services with ease and speed. Every factor of production, other than workforce skills, can be duplicated anywhere in the world. Capital moves freely across national boundaries, seeking the lowest costs. State-of-the-art factories can be erected anywhere. The latest technologies move from computers in one country, upto satellites parked in space, and back down to computers in another nation—all at the speed of electronic impulses. It is all fungible—capital, technology, raw materials, information—all except for one thing, the most critical one, the element that is unique about a nation—its workforce.

A workforce that is knowledgeable and skilled at doing complex things keeps a company competitive and attracts foreign investment.[8]

The benefits between globalisation and workers are mutual. In fact, the relationship forms a virtuous circle—well-trained workers attract MNCs, which invest and offer workers good jobs; the good jobs; in turn, generate additional training and experience.

Globalisation has implications on the way HR activities are being organised as Chapter 28 shows.

Technological

J.K. Galbraith defines technology as a systematic application of organised knowledge to practical tasks. During the last 150 years, technology has developed beyond anybody's comprehension. Science and technology (former refers to pure knowledge and the latter to application of knowledge for practical purposes), enabled man to overcome distances; control birth rate; save lives; generate, preserve and distribute energy; discover new materials to substitute existing ones; introduce machines to do the work for humans; substitute mental work with computers; unravel the mysteries of the seas and the space; and provide himself with a lot of leisure and comfort in the process.

How does technology affect the HR function? **First**, with the advent of technology, jobs tend to become more intellectual or upgraded. A job hitherto handled by an illiterate or unskilled worker now requires the services of an educated and skilled worker.

Second, the introduction of new technology dislocates workers unless they become well-equipped to work on new machines. This makes it obligatory on the part of HRM to train workers and to rehabilitate those who are displaced or cannot be trained.

Third, for those employees who pick up and acquaint themselves with new technology, the job will be challenging and rewarding. Working class, in general, stands to gain through increased productivity, reduced prices and increased real wages—all by-products of technological advancement.

Fourth, along with upgrading jobs, technology has its impact on human relations. Technology lays down the requirements for much of the human interaction in organisations. The arrangement of a production set-up determines who will be near to whom. The work flow determines who needs to talk to whom. And since interaction and activity affect sentiments, technology indirectly determines what individuals in large groups will feel and think about one another and about their work situation.[9]

Fifth, job-holders will become highly professionalised and knowledgeable. An organisation which has adopted the latest technology is flush with scientists, MBAs, engineers, college graduates and highly-skilled workers. L&T, for example, has 20,000 employees, 70 per cent of whom are engineers and a good part of

the remaining are MBAs. Though such an organisation can boast of a progressive and modern outlook of its personnel, the problems faced are serious, to say the least. Motivating such employees, for instance, is a difficult job. Such mundane incentives as attractive remuneration, job security and just treatment hardly inspire the enlightened employees to work more or harder. They are, instead, motivated by opportunities which offer challenges, achievement and growth. Further, retaining such employees for long is a difficult job. Being cosmopolitan in their outlook, these professionalised employees are known for organisational rootlessness and job hopping. The company has to make several allowances to discourage rootlessness. Regular attendance and punctuality have to be relaxed; dual promotion ladders have to be established so that distinguished technical people can rise in their ranks; profit sharing to be provided to give creative persons a financial stake in the ideas they create; participation in professional get-togethers needs to be sponsored; writing of professional articles must be encouraged; foreign jaunts need to be allowed; and 'moonlighting' has to be tolerated. Another problem relates to, what Galbraith calls, 'technostructure' which is a composition of scientists and technicians in an organisation. The technostructure tries to control the organisation by influencing the management's decision making. While there may be nothing wrong in making decisions prompted by the technostructure, the problem lies in the social effect that is involved. People constituting the technostructure are experts, no doubt. But they are more action-oriented and are yet to learn social problems arising out of business decisions. The management is, therefore, in a tight position trying to balance the ruffled feelings of technocrats and the social consequences of business decisions.

More specifically, the main use of technology in HRM is an organisation's human resource information system (HRIS). An HRIS is a computerised information package that provides management with increasing capacity to record, store, manipulate and communicate information widely, with access to many users. Some organisations store their data in a mainframe linked to personal computers; others use a decentralised network system with smaller computers at work stations in various functional areas. *(For more details on HRIS, refer to chapter on Human Resource Planning).*

The Internet has revolutionised one's ability to access technology. Many firms use company-specific 'intranets', to establish home pages that allow employees to read current job postings and even apply for the positions on-line. Equipped with only a PC and a modem, managers can take advantage of on-line services designed especially for HR departments. The last chapter in this book deals exclusively with e-HR.

With constant advances in technology and work processes, firms are under intense competitive pressure to implement more efficient means of operations. However, the financial considerations of whether to adopt a new technology must be balanced with a number of HR strategic issues as shown in Fig. 2.2. The box on the left side contains strategic business issues. HR strategic issues are shown in the box on the right side. Obviously, technological initiatives need to be balanced from a holistic perspective that transcends the sole consideration of economic costs.[10]

HR professionals need a knowledge base about the current technological possibilities and a general vision about the role that technology might play in their firms. With this knowledge, they will be able to add value to strategic decisions that involve technology.[11]

Cultural Forces

Culture refers to the complex whole which includes knowledge, belief, art, morals, laws, customs and other capabilities and habits acquired by an individual as a member of a society.

How Does Culture Influence the HR Function? In the **first** place, culture creates the type of people who become members of an organisation. Culture trains people along particular lines, tending to put a

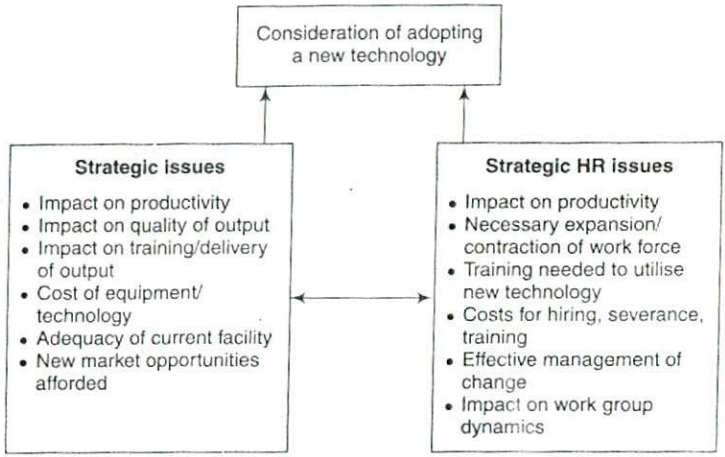


Fig. 2.2 HR Issues for Integrating New Technologies

Source: Jeffrey A.Mello, *Strategic Human Resource Management*, p. 39)

personality stamp upon them. Thus, we have Indians, Japanese, Americans, Britishers, Germans and so on. It is not that all people are alike in a particular culture. There are sub-cultures within a culture. For, people have their own idiosyncracies and are influenced by heredity, cultural experiences, sub-cultural experiences, family experiences and unique personal experiences.[12]

When people with different cultural backgrounds promote, own and manage organisations, they themselves tend to acquire distinct cultures. Thus, the culture of the Tata group of companies is different from that of the enterprises owned and managed by the Birlas. The culture of these groups of companies differs from that prevailing in the new-economy firms.

Secondly, the attitude of workers towards work is the result of their cultural background. Our workers are known to have a deep-seated apathy towards work. Work is dissociated from results in the belief that results are pre-ordained. Tasks are performed (if ever performed) without any interest, dedication or pride. Worse, there is indiscipline at all levels, nagging suspicion of fellow workers, basic mistrust of authority, and poor man-management relationships.

Thirdly, time dimension, which influences HRM, has its roots in culture. Time orientation refers to people's orientation—past, present or future. In some societies, people are oriented towards the past. In others, they tend to be more focussed on the present. Still others are futuristic in their outlook. HRM people in societies that focus on the present, care more for employees on the rolls. Employees are hired and maintained as long as they are useful to the organisation and are dispensed with once they cease to be so. Employee training and development, job security, social security and loyalty to the organisation are unusual. The American society is an example of this. Japan is an example of a futuristic society. The Japanese have long-term future-oriented time horizons. When Japanese firms hire employees, they are retained for a long time, and there is a strong, mutual commitment on both sides. Societies oriented towards the past tend to preserve the acquired heritage. Concepts and actions of the past continue to guide current plans and strategies.

Fourthly, work ethics, achievement needs and effort-reward expectations, which are significant inputs determining individual behaviour, are the results of culture. The word *ethics* is associated with moral principles. In the context of an organisation, ethics implies hard work and commitment to work. A strong work ethics ensures motivated employees whereas the opposite is true when work ethics is weak.

Achievement needs, too, have a behavioural implication. A person with a high need to achieve tends to seek a high degree of personal responsibility, sets realistic goals, takes moderate risks and uses personal performance feedback in satisfying his or her need to achieve.[13]

It is too well-known that a perfect match between *effort* and *reward* will produce better performance from an individual. When the individual perceives that he or she has been treated unfairly, the performance suffers. This phenomenon is the result of culture.

Finally, culture makes people confine themselves to certain occupations and regions. Workers employed in coffee estates or tea plantations in Malnad region cannot probably work in places like Bangalore. Their food habits, dress sense, language and the physical labour they put in—all seem to have been contrived to make them fit to work in such places. A drive through the Malnad region in the month of July makes you feel sorry for the labour employed in estates. For kilometers, there are no human beings but suddenly you notice a tiny structure in an estate where two or three people live. With heavy rain and no electricity, it is an eerie environment. But they are not sorry to live there. Their culture has made them adjust to work and stay there comfortably. Similar is the story with miners working in Singareni Coal Mines, or those employed in diamond cutting units at Surat in Gujarat.

? Pause and Ponder

Cultural convergence has resulted in tastes, thoughts, beliefs and feelings becoming identical across cultures, just as globalisation has brought out economic integration of nations. Do you think that cultural convergence will wipe out people's identity and cultural moorings?

INTERNAL FORCES

In addition to the external forces, there are factors internal to the organisation which influence HR activities. Unlike the external forces, where HRM has no control, internal factors are within its influence. Prominent internal forces are: **(i)** strategy, **(ii)** task, **(iii)** leadership, **(iv)** unions, **(v)** organisational culture and conflicts, and **(vi)** professional bodies.

Strategy, Task and Leadership

A *strategy* indicates the direction in which an organisation moves. As a plan, a strategy takes the organisation into the area of competition in environment and into alignment with the resources of the firm. For example, early success of Infosys was due to high alignment of its strategy, structure, people and management.

Some companies believe that long term success is more important and towards this objective they invest more in human resources—in terms of employee training, safety, security, welfare and harmonious industrial relations.

Task is a work that an employee is expected to do. Several tasks constitute a job. When we describe task here, we keep the job in mind because an employee holds a job and through that he or she discharges tasks associated with it.

Task has implications on employee motivation and satisfaction. Several job characteristics such as skills required, task significance, autonomy and feedback of results have motivational effects. In fact, impact of job on employee motivation is so significant that Herzberg advocated the concept of job enrichment.

Employees derive satisfaction from the jobs they occupy. Jobs give them opportunities to put their talents to use and work for organisational growth. Often, altruistic deeds and not monetary incentives alone, keep employees satisfied with their jobs.

How do these job factors affect HR decisions? They obviously affect hiring, since employees will be highly motivated and satisfied if their preferences are met. In reality, few jobs match all the preferences.

When jobs are difficult the HR manager needs to provide additional incentives (e.g., more pay) because few people prefer such jobs.

It is the *leader* who matters in any functional area of business. HRM is no exception. Leader must orchestrate the distinctive skills, experiences, personalities and motives of employees. He/she also needs to facilitate interactions that occur within work groups. A leader provides direction, encouragement and authority to evoke desired behaviours. A leader chooses right people and motivates them to consistently strive towards making them overreach themselves.' Leadership involves catalyzing the learning process among followers, as well as creating the environment that contributes to improving performance. The leader is an important source of knowledge about the tasks, the organisation, and the HRM policies, programmes and goals. The experience and style of a leader will influence which HRM programmes are communicated, implemented and effective.

Unions

Unionisation as an external factor was examined earlier. The same has been included here as an internal environment. This is justified because a firm's personnel activities will be influenced by its own union(s) as well as the unions of other plants.

A trade union may be understood as an association of workers or management formed to protect their own individual interests. The role of a union is too well-known, not needing any elaboration here. All HR activities—recruitment, selection, training, compensation, IR and separation—are carried out in consultation with union leaders. The role of unions becomes pronounced when a new wage agreement needs to be signed. Generally, a wage agreement has a life of three years. After the expiry of one agreement, a new one has to be reached. It nearly always results in a civil war between the management and the union leaders before reaching a new agreement. Negotiations are spread over months, where tempers are frayed, mouths are fouled, works are stopped, executives are assaulted (the late N.P. Godrej, for example), buses are burnt, properties are damaged and when differences narrow down, and demands are met it is camaraderie as usual, *a la* the immediate aftermath of heavy rains. The day when both parties sign the agreement is a day for hitting the headlines in major newspapers as well as a day of celebration.

Few organisations are lucky to have one union. Encouraged by ideological rifts, personal ambitions of leaders, craft divisions among workers and often the management's myopia, the organised labour movement has been splitting and there are multiple unions. The Bokaro Steel plant, for example, has 68 trade unions and Calcutta Corporation has about 100 of them.

There are exceptions however. As seen in Table 2.1, there are organisations which are non-unionised, for example Jindal Aluminium and Khoday Distilleries, both Bangalore-based, others with single union and so on. Hindalco does not have unions as is the case with most new-economy firms.

Which is a recognised union? What is the membership of each union? With whom are we to negotiate? How about collective bargaining? These questions cause real headache to an IR manager.

The sad part of the story is that most unions are affiliated to all India federations, which have their own political linkages. The HR manager, therefore, has an outside force, namely, the politicians to reckon with.

Non-unionised organisations may appear to be the luckiest, but they too have problems. To retain the flexibility of a non-union status, personnel departments implement compensation policies, hours of work and working conditions similar to those found in unionised operations.[14]

Personnel policies are determined by the top management's directive where unionisation is discouraged, no matter what the cost is.

Organisational Culture and Conflict

Every organisation, as mentioned earlier, has its own culture. Organisational culture is the product of all the organisation's features—its people, its successes, and its failures. Organisational culture reflects the past

and shapes the future. It is the job of HR specialists to adjust proactively to the culture of the organisation. For example, objectives can be achieved in several acceptable ways. This idea, called *equifinality*, means there are usually multiple paths to objectives. The key to success is picking the path that best fits the organisation's culture.[15]

In every organisation, a few core values or beliefs shape its culture. 'Get the best people and set them free' was the spirit of the late J.R.D. Tata and this belief shaped the culture of the Tata

Table 2.1 **Presence of Trade Unions**

	Number of Organisations	*Percentage*	*Percentage*
No Trade Union	06	8.6	
One Union	34	48.5	
Two Unions	10	14.3	
Three Unions	10	14.3	
Four Unions	03	4.3	
More than Four	07	10.00	
Base: All Respondents	70	100.00	98.6%
No Response	1	—	1.4%
Total	71	—	100.00%

Source: All India Management Association, *Human Dimensions of Liberalisation—A Survey Report*, 1993.

conglomerate. L&T is known for its professional approach, while competitive spirit is imbibed by every executive and employee of the Reliance Industries. IBM is known for service, whereas product innovation is the hallmark of GM. Effective HR practitioners identify the core beliefs or values of their organisations and strive to further those values.

There is often conflict between organisational culture and employee's attitudes. Conflict arises because of the following dualities:[16]

- Personal goal *vs* organisational goal
- Personal ethics *vs* organisational ethics
- Rights *vs* duties
- Obedience *vs* self-respect
- Discipline *vs* autonomy
- Self-confidence *vs* arrogance
- Actualisation *vs* aggrandisement
- Authority *vs* accountability
- Leadership *vs* followership
- Delegation *vs* abdication
- Participation *vs* anarchy
- Feedback *vs* abuse

- Cleverness *vs* wisdom
- Grooming *vs* pampering
- Doing *vs* becoming
- Material benefit *vs* spiritual loss
- Change *vs* stability
- Greed *vs* renunciation
- Short-term *vs* long-term

The above are not hypothetical conflicts, they occur daily in organisations. HR departments are expected to develop and enforce policies in these areas.

Professional Bodies

As was pointed out earlier, the impact of the apex body, National Institute of Personnel Management (NIPM), on HR experts is minimal. The body has not been able to prescribe its accreditation as a pre-requisite for HR practitioners. In fact, it has not even prescribed a minimum academic qualification for an HR professional. Its record of contribution to relevant policy making, participation in tripartite fora, and authority to morally bind its members to certain basic professional values is disappointing.[17]

Yet, the role of NIPM in supplying academic inputs to HR professionals is not to be ignored. Periodic training programmes, seminars and conferences are organised by NIPM for the benefit of HR experts. NIPM offers post-graduate diploma in personnel management. The diploma is recognised by the Government of India for the purpose of recruitment to superior posts and services under the Central Government, and by the governments of Andhra Pradesh, Karnataka, Kerala, Rajasthan, West Bengal, Goa, Bihar and Tamil Nadu as an accredited qualification for appointment of welfare officers as per the Factories Act, 1948. The NIPM has laid down a code of ethics (*see* Exhibit 2.2) and the HR practitioners are expected to declare their allegiance to the code.

The code is useful inasmuch as it reminds HR people about their ethical obligations towards the employees, organisation, government, profession and society.

Exhibit 2.2 ***Code of Ethics***

As a member of the National Institute of Personnel Management, I Declare that I shall:

- Subscribe to the aims and objects of the National Institute of Personnel Management and be bound by its Constitution;
- Recognise and accept the dignity of an individual as human being, irrespective of religion, language, caste or creed;
- Maintain high standard of integrity and behaviour demanded by the profession;
- Conduct myself as a responsible member of the management team committed to the achievement of the organisational goals;
- Take keen interest in the establishment of healthy personnel practices and development of the profession;
- Try to win confidence and gain respect of the employers and employees and make myself available to them to provide formal and informal intervention to resolve industrial conflicts;
- Endeavour to enhance the good name of my profession in dealing with other professional bodies, government departments, and employers' and employees' organisations;
- Cooperate in maximising the effectiveness of the profession by exchanging freely information and experience with other members;
- Not allow any interest other than professional to interfere with my official work;

- Not interfere with the right of association of the employees;
- Not disclose any information of a confidential nature that I may acquire in the course of my professional work without obtaining the consent of those concerned and shall not use confidential information for personal gains;
- Not accept or offer any improper gratification in any form or manner whatsoever in connection with or in the course of my professional work; and
- Not take or acquiesce in any such action with may bring the Institute and/or the profession into disrepute.

KNOWING THE ENVIRONMENT

The environment often provides a mass of ambiguous information. What to make out of the information? What to accept and what to reject? To answer these questions, three related concepts are relevant **(i)** the *enacted environment*, **(ii)** the *domain* and *domain consensus*, and **(iii)** the *task environment*.[18]

Enacted Environment

An organisation seeks to create its own environment out of the external environment. The environment which the organisation creates is called *enactment*. Enactment implies that the organisation creates a relevant environment for itself by aggressively scoping, narrowing and scanning the external environment. In effect, the organisation creates the environment to which it reacts. It does not react to the entire environment.

There is a danger in the enacted environment. An organisation may define its environment so narrowly that it is likely to ignore significant forces that may affect its fortunes. For example, very few organisations monitored the Organisation of Petroleum Exporting Countries (OPEC) in the early 1970s and were taken completely off-guard by the oil embargo and steep price hike of oil during 1973 and 1974. Since then, of course, OPEC actions have been closely monitored. Same is the case with auto-manufacturing companies. GM and other US auto manufacturers initially believed that overseas competition from the Japanese companies would not be a formidable force on a long-term basis and they only casually monitored these competitor's actions. They were more concerned with monitoring the actions of one another. On the other hand, the Japanese auto makers were intent upon studying the American auto makers. In order to get a closer look, many Japanese companies entered into joint ventures with their American counterparts. As history tells us, the Japanese had the last laugh.

The positive benefit of an enacted environment is that it makes an organisation to become *proactive* in its approach in dealing with its environment. The organisation takes an active and aggressive role in actually defining its environment. On the other hand, a *reactive* approach implies that the organisation is not aggressive, but merely reacts to its environment. It does not define its environment, but instead allows important factors in the environment to define it.

Domain and Domain Consensus

The *domain* is that part of the environment which the organisation carves out for itself. The organisation delineates its own territory out of the environment.

The delineated territory comprises the range of products offered, population served and services rendered. The organisation focuses its efforts on these three areas while paying less attention to other areas.

As is well-known, an organisation has many stakeholders—owners, employees, customers, government, public, suppliers and lenders. *Domain consensus* is formed when all these stakeholders agree upon the *domain* of the organisation.

When domain consensus is not reached, conflicts can arise regarding parts of the environment which should be monitored. This conflict causes confusion and backbiting, when the company is blindsided by an unexpected occurrence from a poorly monitored sector.

Task Environment

Task environment represents the third concept related to knowing the environment. This significant portion of the domain has the greatest impact on an organisation's goals because it includes all groups that can influence the organisation. Specifically, the task environment specifies the range of products to be offered, the technology to be employed, and the proactive strategies to be used to counter competition. The task environment for Hero Honda, whose market share dwindled from 35 per cent in 1993 to 29 per cent in 1996, has been to expand its capacity. With new capacities being added through its new plant at Dharuhera at a cost of Rs 172 crore, the company is busy in launching new models. "Street", a 100 cc bike, has already been launched. Some more new models are likely to be launched shortly. The company targets to reach 500,000 bikes a year by the turn of the century from the present 300,000 vehicles per annum.

SCANNING THE ENVIRONMENT

Environmental scanning involves general surveillance of the environment to determine trends and projections of factors that will affect the fortunes of the organisation. The scan focuses on the firm's task environment. Elements outside the task environment are not ignored, but are paid less attention.

Scanning is done to prevent information overload for decision makers. It should focus on providing relevant information for planning and decision making.

With regard to HRM, the relevant areas to be scanned for planning and decision-making are the labour market, legal environment, constitutional provisions and technology. This does not mean that other elements, such as globalisation, should be ignored. But it does mean that the four factors identified tend to have a major impact on HR decisions. If a company has overseas operations, these four factors in other countries of operations need to be examined.

Environmental scanning focuses on task environment. HR department is in the best position to scan environment (task). HR department obtains environemental information and feeds it to key decision makers.

Figure 2.3 summarises the concepts of domain, domain consensus, task environment, and enactment. Note the enactment and scanning processes result in a narrow or focusing of the external environment.

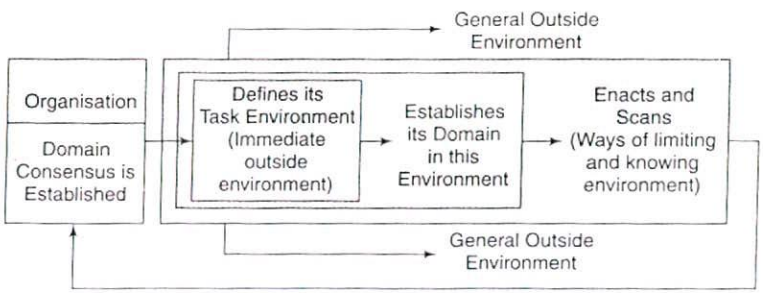


Fig. 2.3 Organisations Enact and Limit the Environment

Source: William P. Anthony, et al., *Strategic Human Resource Management*, Dryden Press, 1993, p. 64.

HRM AND ENVIRONMENT SCANNING

The HR department is in the best position to scan the environment for human-resources and labour-market issues. As Fig. 2.2 shows, an HR department obtains environmental information and feeds it to key decision makers. In fact, the department may play a major role in making the decision. The department also has the responsibility of obtaining internal organisational information for consideration by strategic decision makers.[19] But the role of the HR department is confined to a *boundary spanning* role in that it helps link the organisation to its environment through environmental scanning.

SUMMARY

The environment of HRM comprises both external as well as internal forces which have their impact on the practitioners of the profession. The external environment includes political-legal, economic, technological and cultural factors. The internal environment consists of unions, organisational culture and conflict, and professionalism. The study of the environment enables HR experts to become proactive in their approach to personnel aspects.

KEY TERMS

Achievement needs
Equifinality
HRM environment
Organisational culture
Proactive actions
Social amalgam

REVIEW QUESTIONS

1. What do you understand by HRM environment? Why is the study of HRM environment useful for HR managers?
2. Outline the impact of political-legal, economic, cultural and technological factors on HR function.
3. How do trade unions, organisational culture and conflict, and HR professional bodies influence an HR department?

DISCUSSION QUESTIONS

1. Discuss HRM and its environment with suitable illustrations.
2. Name an organisation with which you are familiar. How is its culture different from the organisational culture discussed in this chapter?
3. Describe how a proactive HR department would cope with the entry of MNCs.
4. What is the purpose of a code of ethics, such as the one suggested by NIPM? Can you suggest any deletion/addition to the code?
5. How can the role of NIPM be made more effective?
6. Going back to the opening case, what would you do if you were the CEO?

Closing Case

When the English writer George Orwell wrote his dystopian novel *Nineteen Eighty Four*, way back in 1949, he couldn't have seen the coming of an industry called business process outsourcing. His concerns in the novel were deep, dark and geopolitical in nature. Fears of an Orwellian world might have come to an end with the death of communism, but the Indian BPO industry is turning into a mini Orwellian eco-system, with Big Brother lurking everywhere you turn.

At an audit and advisory firm such as KPMG, you would expect to find bean counters and suits. But sleuths? The company's forensic services practice, which offers pre-employment screening, background check and fraud investigation services to a large number of BPOs, has witnessed its revenues skyrocketing in the last two years. Its 60-people team includes five senior former CBI and IB officers. A few months back, KPMG's crack team solved a case where an employee of an Indian BPO was helping a bunch of UK-based fraudsters manipulate bank accounts to the tune of several million dollars. Once the data analytics team spotted unusual credit repair patterns, the investigators put suspected employees on surveillance, tracked their system login history and conducted a series of interviews before zeroing in on the culprit.

According to Deepak Sanwalka, executive director, (forensic advisory services), KPMG, organised crime groups in US and UK target BPO employees to carry out frauds. "Our investigative resources are as good, and sometimes better than those of law enforcement agencies. We are usually a step ahead of the police investigations," he says. Such forensic teams are a mix of former sleuths and cops who have a good understanding of crime, and auditors and bankers who have the ability to go through the nitty-gritty of numbers. Similarly Pricewaterhouse Coopers (PwC) unearthed a case recently where a departmental head at a BPO was leaking client data to competitors. "We covertly took charge of the computers that were suspect, went to the service providers to provide information about the users, and later ran forensic software on them," explains Sumit Makhija, associate director, dispute analysis and investigations wing, PwC.

After a series of back-to-back interviews conducted by its team of ex-intelligence officers and bankers, with more than five suspects, the offender, who was passing on proprietary information and corporate plans, was nabbed. Client confidentiality and secrecy of the data related to their customers being paramount, the first brush with Big Brother occurs in the form of pre-employment screening and background and criminal check, as soon as a candidate applies to work at a call centre.

Although it sounds like a logistical nightmare, nearly every candidate who applies for a job with some of the larger BPOs in India has his or her antecedents checked by the companies. "Data security, more than anything else, gives Indian BPOs sleepless nights," says Sanwalka, KPMG, which has around 30 BPO clients, carries out background checks on nearly 4,000 people every month. That includes verifying the educational qualifications mentioned by the candidates by checking with the concerned universities, residential address verification, and working along with the police to check if the candidate has a criminal record.

Interestingly, this has spawned a new revenue stream for universities, who have begun charging a fee from these agencies for verifying the academic records of their former students. Each verification could cost the BPO firms anything between Rs.3,000 and Rs.10,000. The checks also require 14 days to a month to execute. "There is an increasing tendency these days to misrepresent personal and career information. Every one in six applications that we check has some kind of false information. Checks ensure that reputation risks are mitigated," says Ashish Dehade, MD, First Advantage Corporation India, a global risk mitigation and employment screening firm. "There is a huge fear of data leakage in the West, and India is a very important outsourcing destination. So we need to ensure that clients feel secure doing business with us," adds Ashu Calapa, head HR, Firstsource, which completely outsources background check to third party agencies such as First Advantage and Authbridge.[20]

Questions

1. What environmental factors have contributed to the turning of Indian BPO industry into an Orwellian eco-system?
2. What legal system do you suggest to check fraudulent practices in BPO industry? Do you think that the present judiciary system, as it is now in place, is adequate to check such practices?

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CHAPTER 3

Integrating HR Strategy with Business Strategy

LEARNING OBJECTIVES

After reading this chapter you should be able to:

- understand the nature of strategic management
- describe the strategic management process
- integrate HR functions with the strategic management process

Opening Vignette

The Coca-Cola company is the most successful MNC. With operations in as many as 200 countries and nearly 80 per cent of its revenue coming from foreign operations, Coca-Cola is typically perceived as the quintessential global corporation. The US-based company believes in "thinking global but acting locally", and this strategy guides the cola giant's management of cross-border operations. It grants national business the freedom to conduct operations in a manner appropriate to the market. At the same time, the company tries to establish a common mindset that all its employees share.

The corporate HRM function is charged with providing the glue that binds all the divisions (there are 25 operating divisions) into the Coca-Cola family. The corporate HRM achieves this in two main strategies: (i) by propagating a common human resource philosophy within the company, and (ii) by developing a group of internationally minded mid-level executives for future senior management responsibilities.

The corporate HRM group perceives its mission as one of developing and providing the underlying philosophy around which local businesses can develop their human resource practices. For example, rather than having a standard salary *policy* for all its subsidiaries, Coca-Cola has a common salary *philosophy*—the total compensation package should be competitive with the best companies in the local market. Twice a year the corporate HRM group also conducts a two-week HRM orientation session for the HR staff from each of its 25 operating divisions. These sessions give an overview of the company's HRM philosophy and talk about how local businesses can translate that philosophy into HR policies. Coca-cola has found that information sharing is one of the great benefits of bringing HRM professionals together. For example, tools that have been developed in Brazil to deal with specific HRM problem might also be useful in Australia. The sessions provide a medium through which HRM professionals can communicate and learn from each other, which facilitates the rapid transfer of innovative and valuable HRM tools from region to region. (Also read the closing case)

. . .

Colgate-Palmolive is a successful company specialising in personal care products. In the early 1980s, the company realised that if it were to be successful in the emerging competitive environment around the world,

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it would have to develop a more transnational orientation. Its rivals such as P&G, Uniliver and Kao were trying to become transnational companies and Colgate needed to follow suit. Being a transnational requires developing an international cadre of executives who are as compatible working in one culture as in another, and who have the ability to rise above their ethnic perspectives.

As a first step towards building such a team, Colgate began recruiting college graduates in 1987 and putting them through an intensive international training programme. The typical recruit holds an MBA from a US university, speaks at least one foreign language, has lived outside the US, and has strong computer skills and business experience. Over one quarter of the participants are foreign nationals.

Unlike most US companies, Colgate does not send foreign-born trainees to their native countries for their initial jobs. Instead, it is more likely that a French national will remain in the US, a US national will be sent to Germany and a British national will go to Spain. The foreigners receive the same generous expatriate compensation packages as the Americans do, even if they are assigned to their home countries.

In addition to the management training programme, Colgate has taken a number of other steps to develop its international cadre of managers. In Europe, for example, the company is developing "Euromanagers"—mangers who have experience of working in several European countries. This is a departure from the established practice of having managers spend most of their working careers in their home country.[1]

* * *

When LG staged a re-entry into the Indian market, it did a strategic thing which stunned everybody. Vice-President Yasho V. Verma, the oldest employee, recalls: "Many people did not understand us because of the madness happening, but there was a method in madness. When I joined in April 1997, we had to launch five branches by May. A lot of things were done in unorthodox ways. Many times employees were hired but there was no office, the head of the branch was there, but no employees. They did not know where to go. They were told to stay at home and they would get their salaries. No one was ready to believe it. But it all happened as we see it today."[2]

These are typical cases where HR function became an integral part of strategic management. The advent of HRM has brought forward the issues of linkages between the employer–employee relationships and wider organisational strategies and corporate policies. This chapter is devoted to a detailed discussion of such linkages.

NATURE OF STRATEGIC HRM

Before describing the nature of strategic HRM, it is advisable to have a proper perspective of strategic management itself. Simply told, strategic management refers to the process of formulating, implementing and evaluating business strategies to achieve organisational objectives. Though several experts have given their perspectives about strategic management, the simple meaning we have given for the concept serves our purpose here.

What is to be emphasised is that at the core of the strategic management process is a team comprising the CEO aided by top executives. For example, the core team that formulated and executed the recent strategic takeover of Corus by Tata Steel consisted of Ratan Tata, the CEO, Muthuraman, M.D. Tata Steel, Arunkumar Gandhi, Head of the M&A cell of the Tata Group and Koushik Chatterjee, VP Finance, Tata Steel.

Strategic human resource management refers to the process of developing practices, programmes and policies that help achieve organisational objectives. What is essential is that these programmes, policies and practices need to be aligned with organisational strategies. Elaborating further, strategic human resource

management considers the implications of business strategy for all HR systems within the firm by translating company objectives into specific people management systems. The specific approach and process utilised will vary from organisation to organisation, but the key concept is consistent, that is, essentially all HR programmes and policies are integrated within a larger framework helping achieve the firm's objectives.[1]

? Pause and Ponder

HR role in strategic management seems to be merely platitudinal but little in practice. Rarely is HR executive consulted in vital decisions, such as mergers or acquisitions. This popular perception, invites your attention towards a reality check. Talk to select HR executives and discover the truth.

It is not that the HR manager himself/herself formulates strategies. He or she will be the member of a core team which formulates company strategies and ensures their implementation. To be fulfledged strategic partners with senior management, HR executives should impel and guide serious discussion of how the company should be organised to carry out its strategy. Four roles of HR executives are relevant in this context.[2] *First*, HR should define an organisation's architecture. In other words, it should identify the underlying model of tne company's way of doing business. More specifically, the architecture is a judicious mix of structure, systems, rewards, processes, people, styles, skills and shared values. After the architecture is defined it needs to be articulated explicitly. Without such clarity, managers tend to become more myopic about how the company runs.

Second, HR needs to be accountable for conducting an organisational audit. Audit helps identify which components of the architecture should be changed in order to facilitate strategy execution.

The *third* role of HR as a strategic partner is to identify methods for renovating the parts of the organisational architecture that need it. In other words, HR manager should be assigned to take the lead in proposing, creating, and debating best practices that can help implement strategies.

Fourth and finally, HR must take stock of its own work and set clear priorities. At any given time, the HR staff might have several initiatives in its sights, such as pay-for-performance, global team work, and action-learning development experiences. But to be truly tied to business outcomes, HR needs to join forces with line managers to continuously assess the impact and importance of each one of these initiatives.

Strategic HRM versus Conventional HRM

The nature of strategic HRM become more clear when it is contrasted with traditional HRM. As Fig.3.1 shows, in the traditional approach to HRM, the responsibility for people management programme rests with staff specialists in an organisation. But in strategic HRM, the task of managing people vests with the managers who interact with people-line managers. In essence, strategic HRM would argue that any individual in a firm who has responsibility for people is an HRM manager, no matter in which functional area he or she works. Similarly, the focus in conventional HRM is on employee relations, ensuring that employees are motivated and become productive and that the firm is in compliance with the necessary employment laws. In the strategic perspective, HRM goes beyond and focusses on partnership with internal and external constituent groups.[3] Likewise in other dimensions such as role of HRM, initiatives, job design and the like, there is a contrast between conventional HRM and strategic HRM.

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

Fig. 3.1 Traditional HRM versus Strategic HRM

(*Source:* Jeffrey A.Mello, *Strategic Human Resource Management*, Thomson, 2003, p.102).

Barriers to Strategic HRM

Though strategic HRM looks convincing and essential, several barriers operate in the way of organisations taking to strategic orientation of their HR functions.[4] The *first* barrier is that most organisations adopt a short-term mentality and focus on current performance. This is no surprise since stakeholders, particularly shareholders, expect quick rewards and executives need to live up to these expectations. Employees expect quick rewards based on their performance. The *second* barrier relates to the inability of HR executives to think strategically. They are unable to go beyond their area of operation. Their knowledge about general business functioning, their awareness about technological advancements and their ability to convince colleagues in other department are limited. A *third* barrier is that most senior managers lack appreciation for the value of HR and its ability to contribute to the organisation from a strategic perspective. Many understand only the conventional HR and fail to realise the contributions HR can make as a strategic partner.

A *fourth* barrier is that some functional managers see themselves as HR managers as well and are concerned more with technical aspects of their areas of responsibility than the human aspects. As stated earlier, every line manager is an HR manager too. But in reality, finance controller, for example, fails to see beyond cash inflows and outflows, so also the operations executive who is obsessed with inputs, outputs and the conversion process.

A *fifth* barrier to strategic HR is the problem of quantifying many of the outcomes and benefits of HR programmes. It is believed that many of the outcomes of HR function are abstract-felt but not seen. In an environment where firms operate under pressure, what attracts everyone's attention is an activity that contributes to the bottomline. Anything else is shelved.

Yet *another* barrier to strategic HR is the fact that human assets are not owned by organisations and, therefore, are perceived as a higher risk investment than capital assets. Particularly in highly competitive environment where key executives are poached from competitors, there is a tendency to invest less in employees than in technology and information, which are more proprietary. This mindset and approach

prevents organisations from realising the fact that it is the people who invent technology and it is human brains behind revolution in informatics; and it is a competitive advantage to invest in people. How can such firms adopt strategic approach to human resources?

Finally, strategic HR may be resisted because of the incentives for change that might arise. Taking a strategic approach to HR may mean making drastic changes in the firm's architecture. Not many executives are prepared to accept such drastic changes. Figure 3.2 summarises the barriers to strategic HR.

- Short-term mentality/focus on current performance
- Inability of HR to think strategically
- Lack of appreciation of what HR can contribute
- Failure to understand general manager's role as an HR manager
- Difficulty in quantifying many HR outcomes
- Perception of human assets as higher risk investments
- Incentives for change that might arise

Fig. 3.2 Barriers to Strategic HR

(*Source:* Jeffrey A.Mello, *Strategic Human Resource Management*, p.106)

Model of Strategic HRM

A model of strategic HRM is presented in Fig. 3.3. The model presents six variables, four of which provide explanations for practices resulting from strategy orientation of the organisation.[5] The first, the **resoruce-based** perspective, explains practices that provide competitive advantage, such as the unique allocation of the firm's resources, organisational culture, and core competencies. The second variable, a **behavioural view**, explains practices designed to control and influence attitudes and behaviours. Being founded on the contingency theory, this variable stresses the instrumentality of such practices in achieving strategic goals. The third variable draws on the **cybernetics systems**. This variable explains the adoption or abandonment of practices resulting from feedback on contributions to strategy. For example, training programmes might be adopted to help the company pursue a strategy and would be updated in tune with the feedback. **Agency/**

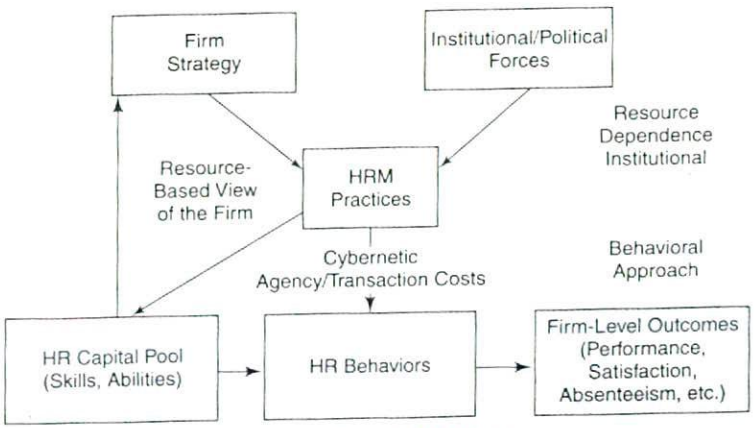


Fig. 3.3 Strategic HR Model

(***Source:*** Charles R.Greer, *Strategic Human Resource Management*, Pearson, 2006, p.144).

transaction cost variable, the fourth in the model, explains why firms use control systems, such as performance evaluation and reward systems. Strategies might not be pursued if performance evaluation and reward systems were not in place.

The other two variables in the model-resource dependence and institutional forces are not driven by strategy consideration, yet included to make the framework comprehensive. The **institutional/political forces** seek to explain that practices, such as the inappropriate performance evaluation systems, may exist because of organisational inertia rather than rational decision making. Finally, **resource dependence and power variable** explains practices caused by power and political influences such as legislation, unionisation, control of resources, and expectations of social responsibility.

Role of HR in Strategic Management

As stated earlier, strategic management process involves four important stages: environmental scanning, strategy formulation, strategy implementation and evaluation and control (See Fig.3.4).

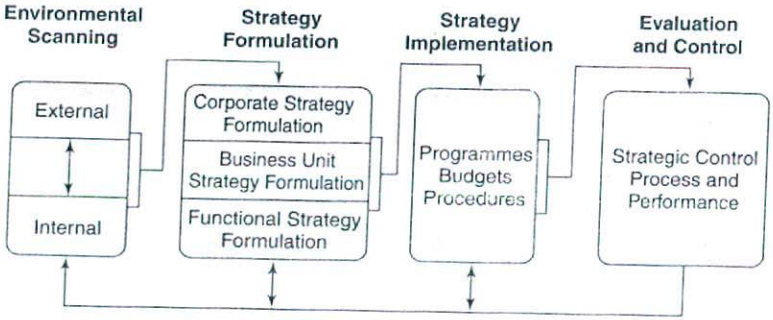


Fig. 3.4 Strategic Management Process

Environmental Scanning

As was explained in the previous chapter, environment of an organisation comprises external and internal factors. Environment needs to be scanned in order to determine trends and projections of factors that will affect fortunes of the organisation. Scanning must focus on task environment. Not that elements outside the task environment are ignored, but they receive less attention. Scanning helps identify threats and opportunities prevailing in the environment. In formulating a strategy, a company seeks to take advantage of the opportunities while minimising the threats. What might be a threat to one company may be an opportunity for another. The oil crisis of 1970s threatened oil-fired electrical utilities, but provided a great opportunity for coal producers and shippers.

Strategy Formulation

Strategies are formulated at three levels:

1. Corporate level,
2. Business unit level, and
3. Functional level.

Corporate-level Strategy This is formulated by the top management of an organisation made up of more than one line of business. The corporate-level strategy of the family-controlled Siyaram Poddar

Companies is to continuously innovate in all its businesses with right technology, relentlessly cut costs and focus on the overseas markets. The major questions that need to be answered at this stage are—What kinds of business should the company be engaged in? What are the goals and expectations for each business? How should resources be allocated to reach these goals?

In formulating corporate-level strategies, the company should decide where it wants to be—in 10 or 15 years hence, in at least eight areas—market standing, innovation, productivity, physical and financial resources, profitability, managerial performance and development, worker performance and attitudes, and social responsibility.

Typical corporate level strategies are shown in Table 3.1.

Table 3.1 **Corporate-level Strategies**

1. Growth Strategies	
(a) Internal growth	(b) Horizontal integration
(c) Horizontal related diversification	(d) Conglomerate diversification
(e) Vertical integration of related businesses	(f) Vertical integration of unrelated businesses
(g) Mergers	(h) Strategic alliances
2. Stability Strategy	
3. Retrenchment Strategies	
(a) Turnaround	(b) Divestment
(c) Liquidation	

Business-level Strategy While the major question at the corporate-level is, "In what industries or businesses should we be operating?," the appropriate question at the business unit level is, "How should we compete in the chosen industry or business?" *A business unit* is an organisational subsystem that has a market, a set of competitors, and a goal distinct from those of the other subsystems in the group. The concept of strategic business unit (SBU) was pioneered by General Electric (GE). At GE, there are over 200 strategic business units, each having its own strategies consistent with the organisation's corporate-level strategy.[7]

A single company that operates within one industry is also considered a business unit. For instance, an independent company that builds and sells swimming pools is considered a business unit. In such an organisation, the corporate-level strategy and the business-unit strategy are the same.

Table 3.2 shows the business-level strategies of the Siyaram Poddar Companies.

Table 3.2 **Business-level Strategies of the Siyaram Poddar Companies**

Siyaram Silk Mills	*Govind Rubber*	*Balakrishna Industries*
• Increase market share from 4 to 5 per cent over the next two years	• Focus on export to OEMs in Europe, US, Middle East and Africa	• Launching new coated-board products to improve market presence

(Contd.)

(*Contd.*)

• Launching new products with the look and feel of polyester wool	• Improving product mix to include more speciality products	• Auto parts to be export-led, will account for 60 per cent of tyre production.
• Focus shifting to exports	—	• Onus on two/three wheelers as well as replacement market

Functional-level Strategy Each business unit will consist of several departments, such as manufacturing, sales, finance and HRD. Functional-level strategies identify the basic courses of action that each of the departments must pursue in order to help the business unit to attain its goals. In formulating functional level strategies, managers must be aware that the different functions are interrelated. Each functional area, in pursuing its purpose, must mesh its activities with the activities of other departments as shown in Fig. 3.5. A change in one department will invariably affect the way other departments operate. Hence, the strategy of one functional area cannot be viewed in isolation. Rather, the extent to which all functional strategies are integrated determines the effectiveness of the unit's business strategy.

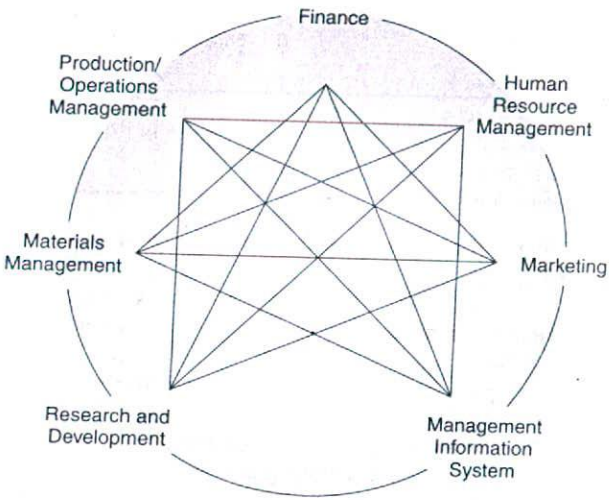


Fig. 3.5 Integration among Functions

Functional-level strategies of the Siyaram Poddar Group are shown in Table 3.3.

? Pause and Ponder

Select atleast five companies of your choice. Bring out their corporate, unit and functional level strategies. What significant differences do you observe among them?

What is the role of HR executive in strategy formulation? He or she should evolve his or her own strategies which must be aligned with corporate, unit and functional strategies. Motorola's is a vivid case. The America based MNC has been riding a roller coaster for two decades. Through the 1980s, the company's

Table 3.3 **Functional Strategies of the Siyaram Poddar Companies**

Business Unit	*Functional-level Strategies*
Siyaram Silk Mills	• Developing RF 2000, a poly-viscose fabric with the look and feel of poly-wool. • Commissioning a new plant at Silvassa to weave 7 lakh metre fabric per month, cost Rs 30 crore. • Relaunching Safari range of fabrics which was discontinued some time back. • Installing new machinery to jazz up the Oxemberg line. • Increasing advertisement budget to build brand equity.
Govind Rubber	• Speciality tyres plant in Rajasthan, churning out multicoloured nylon tyres for bicycles. • Exports to Europe, US, Middle East and Africa. • Tie up with Bajaj Auto, Kinetic Honda and Mahindra & Mahindra. • Tapping replacement markets for truck tyres.
Balakrishna Industries	• Big push for exports. Exports to account for 80 per cent of the production. • Tie up with Bajaj Auto, Kinetic Honda and Mahindra & Mahindra. • Tapping replacement market for truck tyres.

market share was commanding. Profitability was excellent. But in the early 1990s, the world of consumer electronics changed dramatically, as people began spending more and more time out of the office-working from homes, in planes and in hotel rooms. They demanded faster, smaller, more integrated and energy-efficient electronics. At the same time, competition for their business grew more and more intense. Major competitors sprang up in Europe and Asia, that produced more attractive and easy affordable products. Competition resulted in price cuts and heavy pressure on the bottomline of Motorola.

It was under these conditions that the Motorola HR leadership came out with a powerful strategy. Their goals:

- Link HR practices to customer and shareholder requirements.
- Help drive business unit strategy while promoting coordination strong enough to have a multiple effect on Motorola's overall revenue.
- Position Motorola as a more effective competitor.
- Make Motorola's cultural capabilities consistent with its desired market place brand identity.
- Engage the enthusiasm and support of management and employees.

Working closely with line management, the HR professionals identified the culture that the increasingly competitive environment demanded. The HR team provided a powerful agenda for integrating staffing, performance management, training and development, structure, and communications with common business focus and direction. This allowed HR to maximise its impact on performance.[9] At the core of the HR strategy was understanding the organisational culture and integrating the former with business strategy.

Certain key steps in HR strategy formulation are worth recollecting in this context.

- Be clear whether the HR strategy is meant for corporate, unit or functional level strategies. The decision is simple in as much as the same HR strategy shall be relevant for any level strategy.

- Next step is to identify the trends in the environment. Environmental scanning helps delineate the major trends.
- The third step is to have a SWOT analysis of the firm. Scanning the internal environment of the business helps list out its strengths and weaknesses and that of external environment helps identify opportunities and threats (Exhibit 3.1 is a typical SWOT analysis of the Bangalore based electric car maker—Reva).

Exhibit 3.1 ***SWOT of Reva***

Strengths

- India's first and only battery operated electric car for city drive, ideal for those looking for second or even a third car, and for those eco-conscious citizens who have a strong desire to save blue planet.
- Cheapest among electric operated cars in the world with unbeatable running costs as low as 40p per km.
- Slim look, comfortable driving, small turning radius and easy parking—ideal for Bangalore roads, notorious for traffic congestion.
- Fresh infusion of $20 million by international venture capital firms. Along with funds, two experienced executives from the funding firms are on the Board of Directors of Reva.
- Eyeing on global market, already 600 Revas sold in London and looking for markets in other geographic areas in Europe.
- Plans to expand production capacity, release new models and undertake promotional activities.
- Developed, in 2005, a prototype of a two-seat roadster called Reva-NXG. Reva-NXG uses sodium nickel chloride batteries instead of the conventional lead acid batteries.

Weaknesses

- Top speed of 60 km per hour and the distance it can travel on a single charge is only 80 km.
- Reva is underpowered when compared to a regular car.
- Reva is overpriced at Rs.2.5 lakhs particularly because Maruti 800 with AC is cheaper.
- Scores low on comforts, interiors, motor and performance. Can carry 2 adults and 2 kids but Maruti 800 can carry 4 adults with kids being stuffed in.
- At intervals of 80 km, Reva needs charging and charging points are not available on all roads. Charging is less convenient (takes 7 hours) than getting your tank filled up in a petrol bunk.
- Initially, time and money were spent on technology and getting the product right. Initial investment of $25 million mainly went into developing prototypes. No funds were left for publicity and brand building activities.
- In the last four years till end 2005, Reva sold only 1800 numbers against a target of 6000 per annum.
- Solely dependent on electric car unlike major global players like GM, Toyota and Ford.

Opportunities

- Lots of scope in a new world where volts, amps and watts replace bhp, rpm and exhaust times.
- Market is growing. Freedonia group estimates that this segment has grown from a $650 million market in 1999 to an estimated $16 billion in 2004 and is expected to reach $45 billion in 2009. Dwindling oil resources, rising oil prices, increasing congestion and environmental concerns and stricter governmental regulations add to the growing market.
- Tremendous potential for exports and to ramp up production volumes as Reva's competitors' price is 2–3 times higher in Europe and North America.
- Elsewhere several subsidies and concessions have been extended to this segment. In UK, sales and road taxes are exempted so also parking and congestion fees are waived. In the US, $4000 subsidy is offered per vehicle. Reva did enjoy a Rs.1 lakh subsidy initially but was discontinued later. Reva still enjoys benefits like a lower excise duty of 8 per cent, against 16 per cent applicable to petrol and

diesel cars. Governments everywhere are bound to extend more attractive sops to electric car segment boosting demand for the eco-friendly cars.

Threats

- Several big players have already launched or have plans to launch electric cars, posing entry barriers to penetrate overseas markets. Daimler Chrysler has recently launched the electric version of its city car called SMART. The French auto major AXIOM has also launched its version of similar car. GM, Nissan and Mitsubishi have announced that they would be launching electric vehicles.
- Reva's target market—housewives, professionals and college going youth—are not impressed by the car and are vulnerable to be targeted by rivals.

(***Source:*** Based on inputs from *Business India*, Dec.31, 2006, *Business World*, Jan.15, 2007, *Autocar*, Jan, 2007 and Prof. K. Ranganathan of Acharya Institute of Management and Sciences).

? Pause and Ponder

Can you draw a SWOT analysis of a firm you know well? Try.

- The fourth stage is the identification of key HR practices. Key HR practices fall into four basic categories:[10]

  Flow of people: Hiring, promotions, transfers, out placement and training and development.

  Flow of performance management: Measurement, rewards, and follow-up.

  Flow of information: Keeping the organisation in touch with key external realities, managing internal communications, and designing information technology infrastructure.

  Flow of work: Organisation structure, work process design, and physical arrangements.

It is these HR practices that determine the success or failure of the firm.

Strategy Implementation

Strategies formulated need to be implemented. Implementation of strategies is, often more difficult than their formulation. Although implementation is the logical step to formulation, the two differ in several ways[11] (See Table 3.4).

Table 3.4 **Difference between Strategy Formulation and Implementation**

Strategy Formulation	*Strategy Implementation*
Strategy formulation is positioning forces before the action.	Strategy implementation is managing forces during the action
It focuses on effectiveness	It focuses on efficiency
It is primarily an intellectual process	It is primarily an operational process
It requires good initiative and analytical skills	It requires special motivation and leadership skills
It requires co-ordination among a few individuals	It requires co-ordination among many persons

Implementing strategies requires such actions as altering sales territories, adding new departments, closing facilities, hiring new employees, changing an organisation's pricing strategies, developing financial budgets, formulating new employee benefits, establishing cost-control procedures, changing advertising

strategies, building new facilities, transferring managers among divisions, and building a better computer information system.

Strategy-formulation concepts and tools do not differ vastly for small, large or non-profit organisations. However, strategy implementation varies substantially among different types and sizes of organisations.

HRM supplies the company with a competent and willing work force which is responsible for executing strategies. Maruti Udyog and Hindustan Motors are manufacturing cars, essentially using identical technology. The secret behind the meteoric rise of Maruti is its work force.

Additionally, HR function can contribute to strategic plans and actions of the firm in the following ways:

(A) Encouragement of Pro-active Rather than Reactive Behaviour Being pro-active means that the firm has a vision of where it wants to go 10 years hence, and has human resources who help it reach there. Being reactive means confronting problems as they surface. By being reactive the firm tends to lose sight of the long-term direction. It is people who can make the firm pro-active or allow it to simply rest on past laurels.

HR manager helps strategy implementation by supplying **competent people**. Additionally, HRM facilitates strategy implementation by encouraging **proactive thinking, communicating goals** and **improving productivity** and **quality**.

(B) Explicit Communication of Goals Generally, every firm shall have a goal and this must be communicated to all the employees. Everyone should work towards reaching the goal. BHEL had the objectives of becoming a leader in its chosen area of heavy electricals. The goal has been spread down the line and according to the CEO, "It is clearly the zeal of people to work, systematic planning and corporate strategising every five years that have made BHEL stand taller."[12] The role of HR manager in formulating goals and communicating it to all is indeed crucial.

(C) Stimulation of Critical Thinking Managers often depend on their personal views and experiences to solve problems and make decisions. The assumptions on which they make decisions can lead to success if they are appropriate to the environment in which the firm operates. However, serious problems can arise if the assumptions are no longer valid.

The strategic HRM process can help a firm critically examine its assumptions and determine whether the decisions that follow from those assumptions need modification or need to be held back.

To strategise means to think critically. Analytical thinking helps an individual question established practices, shed shibboleths, search for alternatives and arrive at right courses of action. By being part of strategic management process, HR manager can contribute to the critical thinking process of employees.

(D) Productivity as an HR Based Strategy The more productive an organisation, the better is its competitive advantage. Perhaps none of the resources used for productivity in organisations are as critical as human resources. Many of the HR functions contribute to productivity. Pay, appraisal systems, training, selection and job design are HR activities that directly contribute to productivity.

(E) Quality and Service are HR-based Strategies Besides productivity, other factors which contribute to a firm's competitive advantage are quality and customer service. Quality can come from people, and realising this firms are spending vast sum of money on quality training. Since the early 1980s, firms have recognised the value of W. Edwards Deming's theories as a way to improve quality. Deming's 14 principles have served as the foundation for many quality improvement initiatives, first in Japan and later in other parts of the globe.

Delivering excellent customer service is another approach to build competitive advantage. Service begins with product design and includes interaction with customers, so that customers' needs are met. It is the employees who matter in rendering service. As Fig. 3.6 shows, three of the five dimensions of service are HR related.

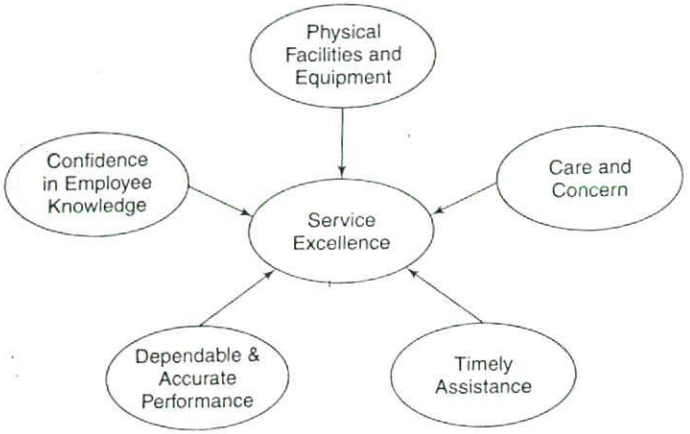


Fig. 3.6 Customer Service Dimensions

Source: Robert L. Mathis and John H. Jackson, *Human Resource Management*, Thomson, 2003, p. 33.

(F) Proficient Strategic Management depends heavily on competent personnel, better-than-adequate competent capabilities and effective internal organisation. Building a capable organisation is obviously always a top priority in strategy execution. As shown in Fig. 3.7, three types of organisation-building actions are crucial:[13]

- *Staffing the Organisation* includes putting together a strong management team, and recruiting and retaining employees with the needed expertise and experience.

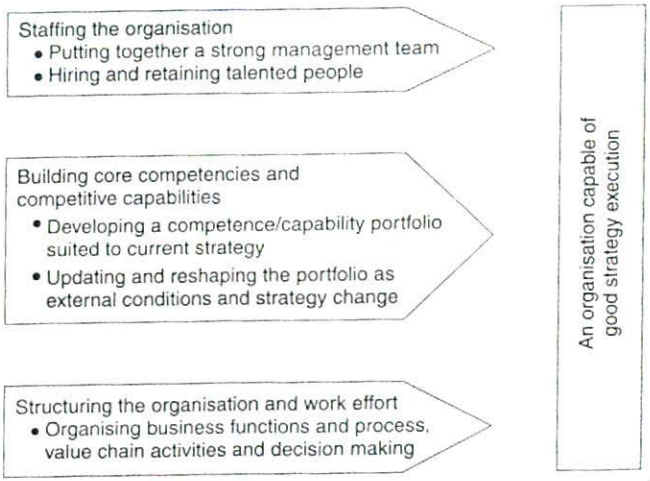


Fig. 3.7 Components of Building a Capable Organisation

Source: Thomson and Strickland, *Strategic Management*, TMH, 2003, p. 360.

- *Building Core Competencies and Competitive Abilities* that will enable effective strategy execution and then keeping the competence/capability portfolio updated as strategy and external conditions change.
- *Structuring the Organisation and Work Effort* by organising business functions and processes, value chain activities and decision making in a manner conducive to successful strategy execution.[14]

The role of HRM in all the three actions is critical.

A firm has, before it, a number of practice choices (*see* Fig. 3.8) to produce desired results. As seen in Fig. 3.8, HR practice choices may be categorised into six types. The figure defines opposite ends of each practice continuum such as promoting entirely from within versus filling all openings from the external labour market. Clearly, an intermediate choice is also possible for a majority of the practices.

It is important to remember that linking strategy and HRM effectively requires more than selection from a series of practice choices. The challenge is to develop a configuration of HR practice choices that help implement the organisation's strategy and enhance its competitiveness.

A well-designed strategy can fail if sufficient attention is not paid to the HR dimension. HR problems that arise when executing strategies may be traced to one of the three causes: (1) disruption of social and political structures; (2) failure to match individuals' aptitudes with implementation tasks; and (3) inadequate top-management support for implementation activities.[15]

Strategy implementation poses a threat to many managers and employees in an organisation. New power and status relationships are anticipated and realised. New formal and informal groups are formed whose values, beliefs and priorities may be unknown. Managers and employees may engage themselves in resistance behaviours as their roles, prerogatives and power in the organisation change. Disruption of social and political structures that accompany strategy execution must be anticipated and considered during strategy formulation and managed during strategy implementation.

Guidelines which help ensure that human relationships facilitate but not disrupt strategy implementation include open communication, co-opting as many managers and employees in the strategic management process and matching managers with strategies through transfers, promotions, job enlargement and job enrichment.

Strategy Evaluation

The strategic management process results in decisions that can have significant and long-lasting consequences. Erroneous strategic decision can inflict severe penalties and can be exceedingly difficult, if not impossible, to reverse. Strategy evaluation, therefore, assumes greater relevance. Strategy evaluation helps determine the extent to which the company's strategies are successful in attaining its objectives. Basic activities involved in strategy evaluation are:

1. Establishing performance targets, standards and tolerance limits for the objectives, strategies and implementation plans.
2. Measuring the performance in relation to the targets at a given time. If outcomes are outside the limits, inform managers to take action.
3. Analyse deviations from acceptable tolerance limits.
4. Execute modifications where necessary and are feasible.
5. Execute modifications where necessary and are feasible."

From strategic HR perspective, evaluation may demand answers to the following questions:

- Are HR professionals present at M&A's planning and implementation?
- Does HR provide an annual report on its ROI?
- Is HR rated by firm's customers?

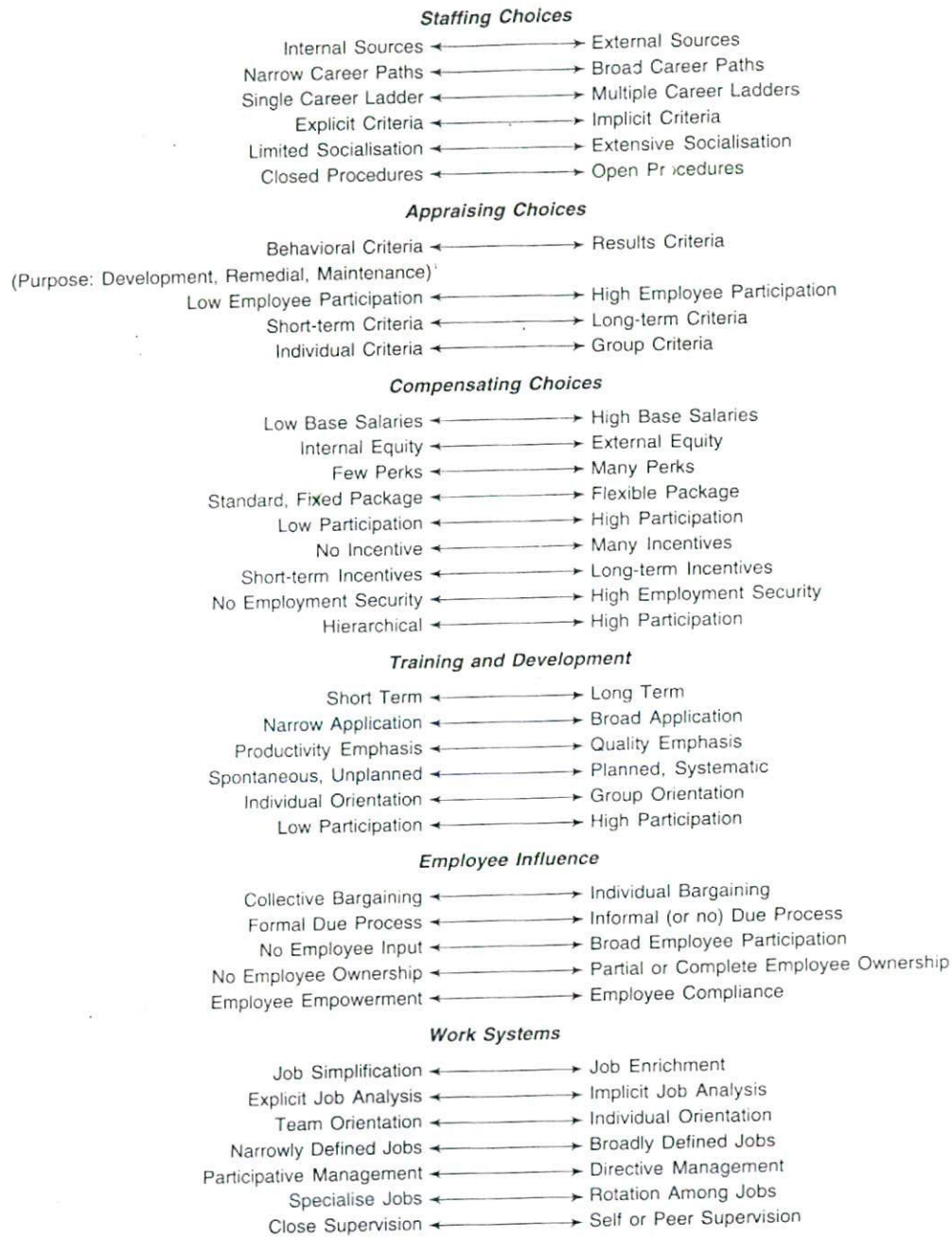


Fig. 3.8 HR Practice Choices Related to Strategic Outcomes

Source: Cynthia D. Fisher, et al., *op. cit.*, p. 60.

- Is there an ROI process to evaluate HR initiatives connected to business strategy?
- Is HR role leveraged in change initiatives such as systems implementations and reorganisations?
- Are line managers made responsible for people's issues?
- Do HR people go beyond and enter such domains as marketing, finance and production?

Obviously, evaluation is a sensitive issue. Too much emphasis on evaluating strategies may be expensive and even counter productive. No manager wants to be evaluated too closely. Little or no evaluation can create even worse problems.

SUMMARY

The advent of HRM has brought the linkage between employer–employee relationship and strategic management to sharp focus.

A strategy is understood as the way of doing something. Strategic management refers to the process of formulating and implementing strategies. After executing strategies, they need to be evaluated for their usefulness and effectiveness. Strategic management offers several financial and non-financial benefits to a company.

The role of HRM is significant in the strategic management process, particularly in formulating and implementing strategies. HRM makes strategic management highly effective by supplying human resources who are competent and committed.

KEY TERMS

Business-unit-level strategy
Corporate level strategy
Environmental scanning
Functional strategy
Strategic business unit
Strategic management
Strategy
Strategy formulation
Strategy evaluation
Strategy implementation

REVIEW QUESTIONS

1. Define strategic HR management. Bring out its importance.
2. Explain the strategic management process.
3. Bring out the role of HRM in strategic formulation, implementation and evaluation.

DISCUSSION QUESTIONS

1. "The role of HRM in formulating and implementing strategies is crucial'. Elaborate.
2. What roles do the external environment and competition have in formulating organisational strategies?
3. Describe an organisation you know well. In what ways did its HR policies and practices contribute to the firm's strategic-management process?
4. "HR managers should have a seat at the strategic-management table, but only when they earn it" Discuss.

Closing Case

It is Good News Everywhere for Coca Cola

After fumbling in India for over a decade and losing the top slot to Pepsi, the humbled cola giant is dreaming big again and rejigging its strategy with a fresh zeal and sharper focus.

Why did the Cola giant fumble in the first place? Here are some mistakes and learnings that Coca Cola has undergone in the past:

Globalisation Holds the Key

Coca Cola was among the bluest of blue MNCs to have entered India in the 1990s. It was and still remains among the top five most powerful brands and the largest beverage company in the world. A lot of that MNC arrogance had a rub-off effect in the way it laid out its India strategy. Snapping up the locally popular brands like Thums Up, Limca, Maaza to kill competition, its brand-building exercise for the mother-brand was often at the cost of the local ones. It was costly and often didn't work. Thums Up remains a very strong brand in southern states like Andhra Pradesh and in fact in the **Brand Equity** *Most Trusted Brands* listing, it ranks 34—much higher than Coca Cola's 42nd ranking. As the company redraws its India plans, it promises to be far more rooted to the realities like having more local insights, promoting local drinks like Aam Panna and localised variants like Sprite—Jal Jeera.

Delegate, Empower and Be Patient

Five CEOs in a decade, a high employee turnover of 30%, Coca Cola India was in a chaos as constant churn at the top took its toll. "Every time a new CEO took over, he drew out a new strategy and a fresh game plan to win the market", recalls a Delhi-based ex-employee. Lack of confidence and patience from the headquarters only made matters worse. "The short-term approach to show quick results was taking its toll," recalls a Bangalore-based ex-employee who was involved in operations.

Worse, with $1 billion of investments and having written off $450 million assets in 2000, penny conscious Coca Cola headquarters began micromanaging issues like hikes. Recalls a senior HR executive who worked in the eastern region: "No hikes above 10% at any level—we got the message from the US headquarter." Everything was in a flux—not just in people leaving, in roles too changing frequently. There wasn't much flexibility that the HR department had in managing people.

Slowly, Mr Singh (CEO, Coca Cola, India) and his team are helping win back the staff confidence here and getting some freedom from the Atlanta headquarters. "When I came, there were complains of low salaries. We undertook a transparent benchmarking study to fix that," he says. Multiple channels for dialogues have been opened up. Every month now, there is an open house meeting where all employees at the headquarters can air their concerns and issues. "We are trying to bring down the decision-making process," says Mr. Singh.

Soften that MNC Arrogance

Being the world's most powerful brand had its flipside. Every time there was a problem, the company pointed a finger elsewhere. "We were in denial mode," says a senior company executive. "Earlier, we spent more time defending ourselves," says a candid Mr. Singh. Despite aggressive efforts it realised that in a sensitive business of food and drinks, scientific data matter, but perceptions matter more. "No matter what you did, it (pesticide issue) was a losing proposition," says a senior ad industry executive. "You could only side-step it to minimise the damage," he adds. The company too seems to have figured that out. "Let's focus on solutions instead of debating if we are part of the issue or not," says Singh. Coca Cola is trying to move beyond the blame game and has learnt to be more constructive.

Engage Beyond Business

For both Pepsi and Coca Cola the world was small and their attention very focused on each other. Just then CSE, an NGO, expanded and complicated their business playfield in India. Suddenly their MNC tag became a noose as the cola glitz and glamour gave way to pesticide, pollution, groundwater depletion controversies. Having learnt lessons the hard way, Coca Cola is now opening up multiple channels of dialogue and engagement with the community it is operating in. It is setting up a Coca Cola Foundation that will engage in a variety of developmental work. To help create employable talent, it is setting up Coca Cola Retail University that will train sales staff. It organises rural games with a consortium of Indian farmers in the South. Water conservation and recycling have become its pet projects even as it aspires to become a net zero water user by 2009 in India. "We want to build a sustainable business model in India," says Singh.

Perhaps, the highs of the past may never return. India and Indians' fascination for the West and MNC brands like Coca Cola today may have more earthy—rather than heady—appeal. Of course, the brand itself has come down from its pedestal. "Coca Cola was an insignificant product delivered spectacularly," says an ad industry veteran. The celebrity endorsements, ad campaigns and their cricket-connect made them glitzy and desirable. "Soon, they came to be seen as frivolous without being pleasurable," he adds, just when "cooler" brands like Google and Nokia overtook it. From such lows, a company can only go up. Coca Cola India is already beginning to. Hopefully, Atlanta's confidence in India's growth story will be strong and long-term. And that the global beverage leader - after a slew of bad publicity and poor business track record—has gained a humble confidence to chalk up a successful business in India. For a company with such a difficult past in India, this may yet be early days.

But the management is upbeat. Neville Isdell, chairman and CEO of Coca Cola, said its India arm registered a double-digit growth in the first quarter this year after a series of negative growth. Earlier in Atlanta it announced that India will be the No.3 market for the company. The company will invest close to $250 million in the next three years—and this is just the beginning. Today things are working for the company. For the CEO, it is good news everywhere.

This could well be the third awakening in India for the world's largest beverage company. (Forced out of India in the 1970s, Coca Cola re-entered in 1993 sinking in $1 billion in over a decade. It began losing its fizz since 2003 when pesticide allegations first surfaced.) But finally, after negative sales growth on the back of public backlash, surging attrition (around 30%) and internal chaos, the company seems to be steadying its feet in the Indian market.

As HR manager, what role do you carve for yourself in making Coca Cola a number one cola company in India?

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SECTION 2

List of Chapters

4. Human Resource Planning
5. Analysing Work and Designing Jobs
6. Recruiting Human Resources
7. Selecting Human Resources
8. Inducting and Placing New Hires

CHAPTER 4

Human Resource Planning

LEARNING OBJECTIVES

After reading this chapter you should have a good understanding of:

- The nature and importance of HR planning.
- The factors affecting personnel planning.
- The employee planning process, delineate different stages in the process and describe each step.
- The prerequisites for successful planning and list the various barriers which render planning ineffective..

Opening Case

HRP? NO, THANK YOU.

This has been the attitude of several organizations, more so in universities. Facts speak louder. It was late 1990s. A reputed South Indian University appointed 218 people on temporary basis as Group 'D' and Group 'C' employees (all in administration, typically called non-teaching). They were initially paid Rs 750 per month each, which was later increased to Rs1575 per month. These appointments were made though there was no need for additional staff. Infact, the university already had surplus of theses employees who together have been eating away 22 percent of the annual budget allocations.

33 percent of these temporary staff have already put in more than 10 years of service and the remaining, a couple of years less. The services of 35 percent of them were renewed six monthly with a break of one day each time. The services of 65 percent of the temporary employees were extended "until further order". In the past ten plus years, that "further order" never came.

The procedure followed to appoint these 218 was slipshod. You only needed to go to the Vice-Chancellor with a white paper with the name of the prospective employee being scribbled on it. He or she would be taken in.

The conscience of the authorities is now pricked. They have realized their guilt of violating Equal Remuneration Act and suppressing the human rights. What to do with these 218 temporary staff who have been slogging for years drawing wages which are a pittance?

The university can dismiss services of 35 percent of the temporary staff as there have been breaks in their services. Do you think these people will take such dismissals easily and lightly? Where is the guarantee that some of them will not commit the same act as Khan and Dalvi did (see opening case to the first chapter). Can an educational institution act like business enterprise and hire and fire people?

With regard to the 65 percent of the transient staff, the University cannot possibly terminate their services, as there were no breaks.

Recently, the university made a decision to regularize the services of the provisional employees as and when vacancies arise— vacancies arising on retirement or death of permanent staff. Right now, there are 50 of such vacancies and these would be filled up soon. This would cost the university an extra expenditure of Rs 30 lakh per annum. When the remaining are also regularized, the extra drain on the university exchequer would be Rs 1.2 crores per annum!

When reminded about human resource planning and about its need, prompt came the reply from an employee who is going to be benefited shortly—"Human Resource Planning? No. Thank You".

As described in the previous chapter, HR strategy is designed in tune with business strategy. In other words, HR strategy should subserve the interests of the organisation, translating firm's goals and objectives into a consistent, integrated, and complimentary set of programmes and policies for managing people.

This does not mean that strategic HR is reactive in nature. Though, HR strategy follows business strategy, the former is developed into a proactive manner, with HR staff attempting to design and develop appropriate HR systems to meet the anticipated conditions under which the business is functioning. The HR executive, as a member of the top level strategic team, should be involved in corporate and business unit strategies, their formulation and execution. HR needs to inform the top management team of the skills and capabilities of the firm's employees and how they might impact strategic plans.[1]

The first part of human resource strategy is HRP (The second part of HR strategy—the work design—will be covered in the next chapter). All other HR activities such as employee hiring, training and development, remuneration, appraisal and labour relations are derived from HRP. This chapter is devoted for a detailed discussion of the nature of HRP, factors influencing HRP, and HRP process.

NATURE OF HRP

In simple words, HRP is understood as the process of forecasting an organisation's future demand for, and supply of, the right type of people in the right number. It is only after this that the HRM department can initiate the recruitment and selection process. HRP is a sub-system in the total organisational planning. Organisational planning includes managerial activities that set the company's objectives for the future and determines the appropriate means for achieving those objectives[2]. an integrated part of strategic management HRP is variously called strategic manpower planning, or for employment planning.

✓ **HRP** is the process of forecasting a firm's future demand for, and supply of, the right type of people in the right number.

IMPORTANCE OF HRP

The introductory paragraph to this chapter and the last sentence of the second definition of HRP clearly state the importance of manpower planning. However, in order to highlight the importance of HRP, we outline its role on the following lines:

1. Future Personnel Needs

Planning is significant as it helps determine future personnel needs. Surplus or deficiency in staff strength is the result of the absence of or defective planning. All public sector enterprises find themselves overstaffed now as they never had any planning of their personnel requirements (also see opening case). They went on a hiring spree upto the late 1980s. Since then, recruitment and selection have been almost banned, but the ban came too late. The private sector is no exception. As many as 76.5 per cent of our organisations have surplus labour and the excess varies between 10 and 20 per cent in as many as 47 per cent of the units (*see* Tables 4.1 and 4.2). The problem of excess staff has become so heavy that many units are resorting to 'voluntary retirement schemes' (VRS) to remove the excess staff. Such surplus labour (even shortage) would not have been there if there were HRP.

Table 4.1 **Incidence of Surplus Labour**

	Response	*Number*	*Percentage*	*Percentage*
	Yes	39	76.50	
	No	12	23.50	
Base:	All Respondents	51	100.00	71.8
	No Response	20	—	28.2
	Total	71		100.0

Table 4.2 **Extent of Surplus Labour**

	Response	*Number*	*Percentage*	*Percentage*
	More than 30%	07	18.4	
	10% to 20%	18	47.4	
	Less than 10%	06	15.8	
Base:	Those Having			
	Surplus Labour	38	100.00	97.4
	No Response	01		2.6
	Total	39		100.0

Source: Tables 4.1 and 4.2 are based on *Human Dimensions of Liberalisation—A Survey Report*, All India Management Association, 1993.

That the government undertakings have too many employees than they need it is too well known. But what is not widely known is the absence of succession planning in most public sector units. Absence of

succession planning has resulted in a situation where many organisations function without chief executives. Table 4.3 shows the number of enterprises which were headless. The anomaly of surplus labour, juxtaposed with the lack of top executives stems from the absence of or a defective HRP.

Table 4.3 **PSU Vacancies at the Top**

Units	*Turnover (Rs in crore)*	*Headless for Months*
State Trading Corporation	1043	5
National Airports Authority	293	2
Indian Airlines	1500	10
National Hydroelectric Power Corp.	250	18
State Farms Corporation	24	17
Indian Oil Corporation	24,000	9
Gas Authority of India	3,500	27

Source: Business India, Feb. 23, 1994.

2. Part of Strategic Planning

As pointed out in Chapter 2, HR management must become an integral part of strategic management process. All activities of HRM—planning, hiring, training, remunerating and maintaining—must be merged with strategic management.

HR planning can become part of strategic planning at two ends. At the beginning of strategic planning, HRP provides a set of inputs into the strategic formulation process in terms of deciding whether the types and numbers of people are available to pursue a given strategy. At the end of strategic planning process, HRP is relevant in terms of implementation concerns. Once the strategy is set, executives need to make resource allocation decisions, including those pertaining to structure, processes and human resources.

In most successful companies there is virtually no distinction between strategic planning and HRP; the planning cycles are the same and HR issues are seen as inherent in the business management. HR managers are important facilitators of the strategic planning process and are viewed as important contributors to carve the organisation's future.[3]

3. Creating Highly Talented Personnel

As was mentioned earlier, jobs are becoming highly intellectual and incumbents are getting vastly professionalised. L&T, an engineering giant, has MBAs, engineers and technicians who collectively constitute 70 per cent of the total employee strength of 20,000. The HR manager must use his/her ingenuity to attract and retain qualified and skilled personnel.

These people are known for job hopping, thereby creating frequent shortages in the organisation. Manpower planning helps prevent such shortages. Furthermore, technology changes will often upgrade some jobs and degrade others. Indian Telephone Industries (ITI) had a stronger technology to start with, which later developed into crossbar telephone system. This was later changed to electronic technology. Jobs

created and people hired when old technologies were in use became extinct, obsolete and redundant. ITI, being a public sector undertaking, could not retrench its workers, and were subsequently retrained and redeployed to supervise the electronic system now in use. Jobs became highly technical necessitating hiring of engineers who had majored in electronics. So, ITI had no use of engineers with civil or mechanical engineering as major. Thus, ITI is in a tight spot so far as shop-floor workers are concerned, whose number is more than the demand for them. Even with regard to electronics engineers, the company is not in a comfortable position. With its existing compensation scheme, ITI is not in a position to attract talented people. This situation could have been avoided if ITI had done HRP.*

Another facet of the high-talent personnel is management succession planning. Who will replace the retiring chief executive? From what pool of people will top executives be selected and how will these individuals be groomed for their increased responsibilities? [4] HRP is an answer to these and other related questions.

4. International Strategies

International expansion strategies depend upon HRP. The department's ability to fill key jobs with foreign nationals and the re-assignment of employees from within or across national borders is a major challenge facing international businesses. With the growing trend towards global operation, the need for HRP will grow, as well as the need to integrate HRP more closely into the organisation's strategic plans. HRP will grow increasingly important as the process of meeting staffing needs from foreign countries and the attendant cultural, language, and developmental considerations grow complex. Without effective HRP and subsequent attention to employee recruitment, selection, placement, development and career planning, the growing competition for foreign executives may lead to expensive and strategically-disruptive turnover among key decision makers.[5]

HRP facilitates international expansion strategies. The HR department needs to fill key jobs with expatriates, motivate them and compensate them.

5. Foundation for Personnel Functions

As stated earlier, HRP provides essential information for designing and implementing personnel functions, such as recruitment, selection, personnel movement (transfers, promotions, layoffs) and training and development.[6]

6. Increasing Investments in Human Resources

Another compelling reason for HRP is the investment an organisation makes in its human resources. Human assets, as opposed to physical assets, can increase in value. An employee who gradually develops his/her skills and abilities becomes a more valuable resource. Because an organisation makes investments in its personnel either through direct training or job assignments, it is important that employees are used effectively throughout their careers. The rupee value of a trained, flexible, motivated and productive workforce is difficult to determine, although attempts are being made to do so, as in HR accounting (HRA).[7] An increasing number of executives are acknowledging that the quality of the work force can be responsible for significant differences in short-run and long-run performances.

*ITI has not learnt from experience. When the author went to the Bangalore complex for a discussion on HRP, he was told that there existed no such planning in the organisation.

Pause and Ponder

How is the intellectual capital of your class or organisation? How is it evaluated?

7. Resistance to Change and Move

There is a growing resistance among employees to change and move. There is also a growing emphasis on self-evaluation and on evaluation of loyalty and dedication to the organisation. All these changes are making it more difficult for the organisation to assume that it can move its employees around anywhere and anytime it wants, thus increasing the importance and necessity of planning ahead.[8]

8. Unite the Perspectives of Line and Staff Managers

HRP helps unite the perspectives of both line as well as staff managers. Although HRP is initiated and executed by the corporate HR staff, it requires the input and cooperation of all managers within an organisation. No one knows better the needs of a particular unit or department than an individual manager responsible for the area. Communication between HR staff and line managers is essential for the success of HR planning initiatives.[9]

9. Other Benefits

Following are other potential benefits of HRP: 1. Upper management has a better view of the HR dimensions of business decision; 2. Personnel costs may be less because the management can anticipate imbalances before they become unmanageable and expensive; 3. More time is provided to locate talent; 4. Better opportunities exist to include women and minority groups in future growth plans; 5. Better planning of assignments to develop managers can be done;[10] and 6. Major and successful demands on local labour markets can be made.

FACTORS AFFECTING HRP

HRP is influenced by several considerations. The more important of them are: **(i)** type and strategy of organisation, **(ii)** organisational growth cycles and planning, **(iii)** environmental uncertainties, **(iv)** time horizons, **(v)** type and quality of forecasting information, **(vi)** nature of jobs being filled, and **(vii)** off-loading the work (see Fig. 4.1).[11]

Type and Strategy of Organisation

The type of organisation is an important consideration because it determines the production processes involved, number and type of staff needed, and the supervisory and managerial personnel required. Manufacturing organisations are more complex in this respect than those that render services.

The type of organisation determines the production process involved and the number of staff retained. In addition, the strategic plan of the organisation defines its HR needs.

The strategic plan of the organisation defines the organisation's HR needs. For example, a strategy of organic growth means that additional employees must be hired. Acquisitions or mergers, on the other hand, probably mean that the organisation will need to plan for layoffs, since mergers tend to create, duplicate or overlapping positions that can be handled more efficiently with fewer employees.

Primarily, the organisation decides either to be proactive or reactive in HRP. It can either decide to carefully anticipate the needs and systematically plan them to fill them far in advance, or it can simply react to needs as they arise. Of course, careful planning



Fig. 4.1 Factors Affecting HRP

to fill HR needs better helps ensure that the organisation obtains the right number of HR people with proper skills and competencies when they are needed.

Similarly, the organisation must determine the breadth of the plan. Essentially, the organisation can choose a narrow focus by planning in only one or two HR areas, such as recruitment or selection, or it can choose a broad focus by planning in all areas including training, remuneration and so on.

The organisation must also decide upon the formality of the plan. It can decide to have an informal plan that lies mostly in the minds of the managers and personnel staff. Alternatively, the organisation can have a formalised plan which is clearly spelt out in writing, backed by documentation and data.

Finally, the organisation must make a decision on flexibility—the ability of the HR plan to anticipate and deal with contingencies. No organisation likes high levels of uncertainty. Organisations seek to reduce uncertainty by planning, which includes forecasting and predicting possible future conditions and events. HRP can contain many contingencies, which reflect different scenarios thereby assuring that the plan is flexible and adaptable.

Figure 4.2 summarises these five major choices faced by the organisations in strategic HRP. An organisation will often tend to be to the left or to the right on all continua rather than to the left on some and to the right on other, although there could be exceptions.[12] A company could be at one end of the extreme on some plan characteristics and at the other end on other.

Organisational Growth Cycles and Planning

The stage of an organisation's growth can have considerable influence on HRP. Small organisations in the embryonic stage may not have personnel planning.

Need for planning is felt when the organisation enters the growth stage. HR forecasting becomes essential. Internal development of people also begins to receive attention in order to keep up with the growth.

A mature organisation experiences less flexibility and variability. Growth slows down. The workforce becomes old as few younger people are hired. Planning becomes more formalised and less flexible and innovative. Issues like retirement and possible retrenchment dominate planning.

Finally, in the declining stage, HRP takes a different focus. Planning is done for layoff, retrenchment and retirement. Since decisions are often made after serious financial and sales shocks are experienced by the organisation, planning is often reactive in nature.

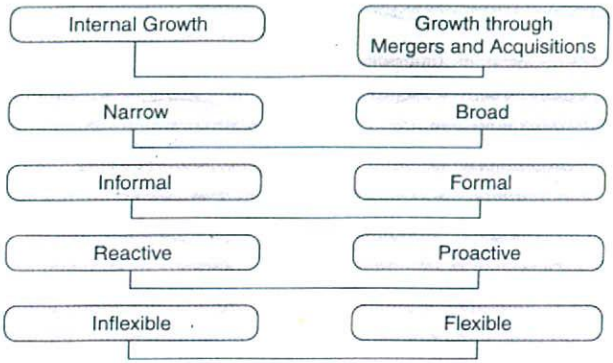


Fig. 4.2 Continual Strategic Choices in Human Resource Planning

Source: Adapted from *Strategic Human Resource Management* by William P. Anthony, et al., p. 181.

Environmental Uncertainties

HR managers rarely have the privilege of operating in a stable and predictable environment. Political, social and economic changes affect all organisations. Personnel planners deal with environmental uncertainties by carefully formulating recruitment, selection, and training and development policies and programmes. Balancing mechanisms are built into the HRM programme through succession planning, promotion channels, layoffs, flexitime, job sharing, retirement, VRS and other personnel related arrangements.[13]

Time Horizons

Yet another major factor affecting personnel planning is the time horizon. On one hand, there are short-term plans spanning six months to one year. On the other hand, there are long-term plans which spread over three to twenty years. The exact time span, however, depends on the degree of uncertainty prevailing in an organisation's environment. Plans for companies operating in an unstable environment, computers for example, must be for a short period.[14] Plans for others where environment is fairly stable, for example a university plan, may be long-term. In general, the greater the uncertainty, the shorter the plan's time horizon and vice versa. Table 4.4 summarises the degree of uncertainty and the length of the plan period.

Table 4.4 **Degree of Uncertainty and Length of Planning Period**

Short Planning Period—Uncertainty/Instability	*Long Planning Period—Certainty/Stability*
Many new competitors	Strong competitive position
Rapid changes in social and economic conditions	Evolutionary, rather than rapid social, political and technological change
Unstable product/service demand patterns	Stable demand patterns
Small organisational size, poor management practices (crisis management)	Strong management practices.

Source: Elmer H. Burack and Nicholas J. Mathis, *Human Resource Planning—A Pragmatic Approach to Manpower Staffing and Development*, Illinois, Brace-Park Press, 1987, p. 129.

Type and Quality of Information

The information used to forecast personnel needs originates from a multitude of sources. A major issue in personnel planning is the type of information which should be used in making forecasts. Table 4.5 illustrates the type and levels of forecasting information useful to personnel planners.

Closely related to the type of information is the quality of data used. The quality and accuracy of information listed in Table 4.5 depend upon the clarity with which the organisational decision makers have defined their strategy, organisational structure, budgets, production schedules and so forth. In addition, the HR department must maintain well-developed job-analysis information and HR information systems (HRIS) that provide accurate and timely data.[15] Generally speaking, organisations operating in stable environments are in a better position to obtain comprehensive, timely and accurate information because of longer planning horizons, clearer definition of strategy and objectives, and fewer disruptions.

Table 4.5 **Levels of HRP Information**

Strategic Information	*General Organisational Information*	*Specific Information Necessary for HRP*
Product mix	Organisational structure	Job analysis
Customer mix	Information flows	Skills inventories
Competitive emphasis	Operating and capital budgets	Management inventories
Geographic limits of market	Functional area objectives	Available training and
	Production schedules	development programmes
	Distribution channels	Recruitment sources
	Sales territories	Labour market analysis
	Production processes	Compensation programmes
	Level of technology	Constitutional provisions
	Planning horizons	and labour laws
		Retirement plans
		Turnover data

Source: Leap & Crino, *Personnel/Human Resource Management*, p. 161.

Nature of Jobs being Filled

Personnel planners must consider the nature of jobs being filled in the organisation. Job vacancies arise because of separations, promotions and expansion strategies.

It is easy to employ shop-floor workers, but a lot of sourcing is necessary for hiring managerial personnel. It is, therefore, necessary for the personnel department to anticipate vacancies, as far in advance as possible, to provide sufficient lead time to ensure that suitable candidates are recruited.

Outsourcing

Outsourcing of non-critical activities through subcontracting or ancillirisation determines HRP

Several organisations outsource part of their work to outside parties either in the form of sub-contracting or ancillarisation. Outsourcing is a regular feature both in the public sector as well as in the private sector. Most organisations have surplus labour and they do not want to worsen the problem by hiring more people. Hence, the need for off-loading.

Some organisations are known to carry the concept of off-loading to ridiculous lengths. One of the Bangalore-based public sector undertakings outsources major part of its work, and in the process, the regular employees sit idle. Kickbacks from owners of ancillary units are the cause for such ancillarisation. HRP is rarely required in such circumstances.

THE PLANNING PROCESS

HRP essentially involves forecasting personnel needs, assessing personnel supply and matching demand-supply factors through personnel-related programmes. The planning process is influenced by overall organisational objectives and the environment of business. Figure 4.3 illustrates the planning process.

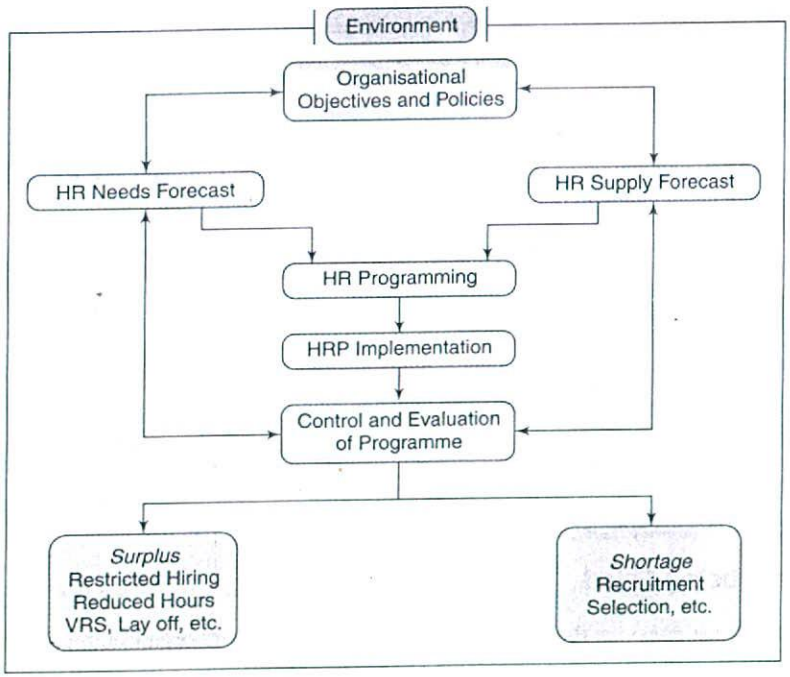


Fig. 4.3 The HRP Process

Environmental Scanning

Environmental scanning refers to the systematic monitoring of the external forces influencing the organisation. Managers monitor several forces but the following are pertinent for HRP:

- Economic factors, including general and regional conditions.
- Technological changes, including robotics and automation.
- Demographic changes, including age, composition and literacy.
- Political and legislative issues, including laws and administrative rulings.
- Social concerns, including child care, and educational facilities and priorities.

By scanning the environment for changes that will affect an organisation, managers can anticipate their impact and make adjustments early.

Organisational Objectives and Policies

HR plans need to be based on organisational objectives. In practice, this implies that the objectives of the HR plan must be derived from organisational objectives. Specific requirements in terms of number and characteristics of employees should be derived from the organisational objectives.

As was stated in the previous chapter, organisational objectives are defined by the top management and the role of HRP is to subserve the overall objectives by ensuring availability and utilisation of human resources.

Once the organisational objectives are specified, communicated and understood by all concerned, the HR department must specify its objectives with regard to HR utilisation in the organisation. In developing these objectives, specific policies need to be formulated to address the following questions:[16]

1. Are vacancies to be filled by promotions from within or hiring from outside?
2. How do the training and development objectives interface with the HRP objectives?
3. What union constraints are encountered in HRP and what policies are needed to handle these constraints?
4. How to enrich employee's job? Should the routine and boring jobs continue or be eliminated?
5. How to downsize the organisation to make it more competitive?
6. To what extent production and operations be automated and what can be done about those displaced?
7. How to ensure continuous availability of adaptive and flexible workforce?

HR Demand Forecast

Demand forecasting is the process of estimating the future quantity and quality of people required. The basis of the forecast must be the annual budget and long-term corporate plan, translated into activity levels for each function and department. In a manufacturing company, the sales budget would be translated into a production plan giving the number and type of products to be produced in each period. From this information, the number of hours to be worked by each skilled category to make the quota for each period, would be computed.[17] Once the hours are available, determining the quality and quantity of personnel will be the logical step.

Demand forecasting must consider several factors—both external as well as internal. Among the external factors are competition (foreign and domestic), economic climate, laws and regulatory bodies, changes in technology, and social factors. Internal factors include budget constraints, production levels, new products and services, organisational structure, and employee separations. Demand forecasting is common among organisations, though they may not do personnel-supply forecasting.

Demand forecasting is the process of estimating the quantity and quality of people required to meet future needs of the organisation.

There are several good reasons to conduct demand forecasting.[18] It can help: (i) quantify the jobs necessary for producing a given number of goods, or offering a

given amount of services; **(ii)** determine what staff-mix is desirable in the future; **(iii)** assess appropriate staffing levels in different parts of the organisation so as to avoid unnecessary costs; **(iv)** prevent shortages of people where and when they are needed most; and (v) monitor compliance with legal requirements with regard to reservation of jobs.

Forecasting Techniques Forecasting techniques vary from simple to sophisticated ones. Before describing each technique, it may be stated that organisations generally follow more than one technique. The techniques are:

1. Managerial judgement
2. Ratio-trend analysis
3. Regression analysis
4. Work study techniques
5. Delphi technique
6. Flow models
7. Others (See Fig. 4.4)

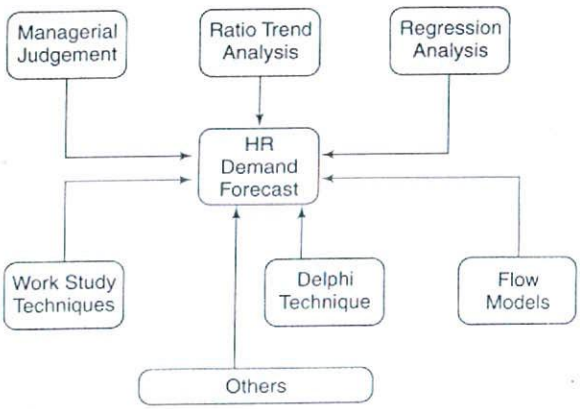


Fig. 4.4 Techniques of HR Demand Forecasting

Managerial Judgement This technique is very simple. In this, managers sit together, discuss and arrive at a figure which would be the future demand for labour. The technique may involve a 'bottom-up' or a 'top-down' approach. In the first, line managers submit their departmental proposals to top managers who arrive at the company forecasts. In the 'top-down' approach, top managers prepare company and departmental forecasts. These forecasts are reviewed with departmental heads and agreed upon. Neither of these approaches is accurate—a combination of the two could yield positive results. In the 'bottom-up' and 'top-down' approaches, departmental heads are provided with broad guidelines. Armed with such guidelines, and in consultation with the HRP section in the HRM department, departmental managers can prepare forecasts for their respective departments. Simultaneously, top HR managers prepare company forecasts. A committee comprising departmental managers and HR managers will review the two sets of forecasts, arrive at a unanimity, which is then presented to top managers for their approval. Table 4.6 is a typical forecast prepared using this technique. Needless to say, this technique is used in smaller organisations or in those companies where sufficient data-base is not available.

Table 4.6 **Staff Forecast Form**

Category of Staff.....		Year.....	
Staff Members and Movements		*No. of Staff to be Provided*	*Remarks*
1. Number of staff at 1.1 (excluding known resignations)	75	—	Age groups: Under 25 30 25–34 20 35–44 15 45 and over 10
2. (a) Expected retirements, transfers out and promotions during year	8		(dates to be specified)
(b) Less expected transfers in, promotions and new appointments already made	3	5	
3. (a) Number of staff required on 1 January, next year	80		Increase in number to be substantiated by *O&M* report
(b) Less present staff	75	5	
4. Expected staff losses due to normal wastage of existing staff	15	15	Estimated by age groups: Under 25 12 25–34 2 35–44 1 45 and over –
5. Expected losses of staff to be recruited in the period	5	5	Short service staff turnover at 20% of 25 (events 2 + 3 + 4 above)
6. Total staff to be provided during the period		30	5 to be recruited by 1 February, others to be programmed later

Ratio-trend Analysis This is the quickest forecasting technique. The technique involves studying past ratios, say, between the number of workers and sales in an organisation and forecasting future ratios, making some allowance for changes in the organisation or its methods. Table 4.7 shows how an analysis of actual and forecast ratios, between the number of routine proposals to be processed by an insurance company's underwriting department and the number of underwriters employed could be used to forecast future requirement.[19]

Ratio trend analysis involves studying past ratios and forecasting future ratios making some allowances for changes in the organisation or its methods.

Table 4.7 **Demand Forecast—Inspectors**

	Year	No. of Employees		Ratio
		Production	Inspector	Inspector : Production
	–3	1500	150	1 : 10
Actual	–2	1800	180	1 : 10
	Last year	2000	180	1 : 11
	Next year	2200*	200†	1 : 11
Forecast	+2	2500*	210†	1 : 12
	+3	2750	230†	1 : 12

*Calculated by reference to forecast activity levels.
†Calculated by applying forecast ratio to forecast activity levels.

Source: Tables 4.6 and 4.7 are based on *A Handbook of Personnel Management Practices* by Michael Armstrong, pp. 208–209.

Regression Analysis This is similar to ratio-trend analysis in that forecast is based on the relationship between sales volume and employee size. However, regression analysis is more statistically sophisticated. A firm first draws a diagram depicting the relationship between sales and workforce size. It then calculates regression line—a line that cuts right through the center of the points on the diagram. By observing the regression line, one can find out number of employees required at each volume of sales (see also Fig. 4.5).

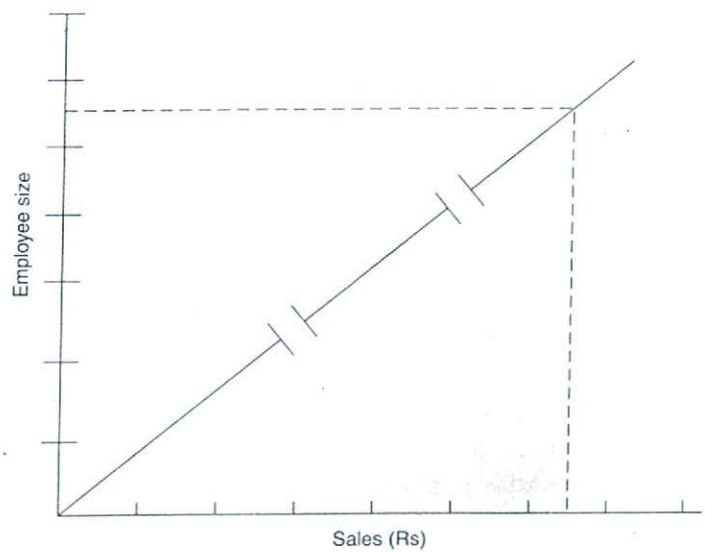


Fig. 4.5 Regression line Showing Relationship between Sales and Employee Size

Work-study Techniques Work-study techniques can be used when it is possible to apply work measurement to calculate the length of operations and the amount of labour required. The starting point in a manufacturing company is the production budget, prepared in terms of volumes of saleable products for the company as a whole, or volumes of output for individual departments. The budgets of productive hours are then compiled using standard hours for direct labour. The standard hours per unit of output are then multiplied by the planned volume of units to be produced to give the total number of planned hours for the period. This is then divided by the number of actual working hours for an individual operator to show the number of operators required. Allowance will have to be made for absenteeism and idle time. Following is a highly simplified example of this procedure:[20]

1. Planned output for next year	20,000 units
2. Standard hours per unit	5
3. Planned hours for the year	1,00,000
4. Productive hours per man/year (allowing normal overtime, absenteeism and idle time)	2,000
5. Number of direct workers required (4/5)	50

Work-study techniques for direct workers can be combined with ratio-trend analysis to forecast for indirect workers, establishing the ratio between the two categories. The same logic can be extended to any other category of employees.

Delphi Technique Named after the ancient Greek oracle at the city of Delphi, the Delphi technique is a method of forecasting personnel needs. It solicits estimates of personnel needs from a group of experts, usually managers. The HRP experts act as intermediaries, summarise the various responses and report the findings back to the experts. The experts are surveyed again after they receive this feedback. Summaries and surveys are repeated until the experts' opinions begin to agree. The agreement reached is the forecast of the personnel needs. The distinguishing feature of the Delphi technique is the absence of interaction among experts.

Flow Models Flow models are very frequently associated with forecasting personnel needs. The simplest one is called the Markov model. In this technique, the forecasters will:[21]

1. Determine the time that should be covered. Shorter lengths of time are generally more accurate than longer ones. However, the time horizon depends on the length of the HR plan which, in turn, is determined by the strategic plan of the organisation.
2. Establish categories, also called *states*, to which employees can be assigned. These categories must not overlap and must take into account every possible category to which an individual can be assigned. The number of states can neither be too large nor too small.
3. Count annual movements (also called 'flows') among states for several time periods. These states are defined as *absorbing* (gains or losses to the company) or *non-absorbing* (change in position levels or employment status). Losses include death or disability, absences, resignations and retirements. Gains include hiring, rehiring, transfer and movement by position level.
4. Estimate the probability of transitions from one state to another based on past trends. Demand is a function of replacing those who make a transition.

There are alternatives to the simple Markov model. One, called the semi-Markov, takes into account not just the category but also the *tenure of individuals in each category*. After all, likelihood of movement increases with tenure. Another method is called the *vacancy model*, which predicts probabilities of movement and number of vacancies. While the semi-Markov model helps estimate movement among those whose situations and tenure are similar, the vacancy model produces the best results for an organisation.

Markov analysis is advantageous because it makes sense to decision makers. They can easily understand its underlying assumptions. They are, therefore, likely to accept results. The disadvantages include: (i) heavy reliance on past-oriented data, which may not be accurate in periods of turbulent change, and (ii) accuracy in forecasts about individuals is sacrificed to achieve accuracy across groups.

Other Forecasting Techniques New *venture analysis* will be useful when new ventures contemplate employment planning. This technique requires planners to estimate HR needs in line with companies that perform similar operations. For example, a petroleum company that plans to open a coal mine can estimate its future employment needs by determining employment levels of other coal mines.

As in other fields, *mathematical models* are used in human need forecasting too. One such widely used technique is the one given below:[22]

$$E_n = \frac{(Lagg_n + G)^{1/x}}{y}$$

where, E_n is the estimated level of personnel demand in n planning periods (e.g. years).

Lagg is the overall or aggregate level of current business activity in rupees. G_n is the total growth in business activity anticipated through period n in today's rupees.

x is the average productivity improvement anticipated from today through planning period n (e.g. if x = 1.08, it means an average productivity improvement of 8 per cent).

y is a conversion figure relating today's overall activity to personnel required (total level of today's business activity divided by the current number of personnel). It reflects the level of business activity per person.

The main purpose of this model is to predict E_n, the level of personnel necessary in n periods. Prior to applying this model, estimates of G, x and y must be made. Such estimates may be based on the previous experiences of management, as well as on future strategic choices to which the organisation's decision makers are committed.[23]

As was stated earlier, organisations follow more than one technique for forecasting their peoples' needs. L&T, for example, follows 'bottom-up' of management judgement and work-study techniques for demand forecasting. Forecasting process in L&T begins during November of every year. The department heads prepare their personnel estimates (based on details of production budget supplied to them) and submit the estimates to the respective personnel managers (L&T has 11 plants in our country). The personnel heads will review the estimates with the departmental heads and will send final reports to the Mumbai office where a centralised HR department is located. Estimates are reviewed by the HR department and final figures are made known to those personnel managers who initiate steps to hire the required number of people in the following year. The forecast is made for a quinquennium, but is broken down to yearly requirements.

HR Supply Forecast

Personnel demand analysis provides the manager with the means of estimating the number and kind of employees that will be required. The next logical step for the management is to determine whether it will be able to procure the required number of personnel and the sources for such procurement. This information is provided by supply forecasting. Supply forecasting measures the number of people likely to be available from within and outside an organisation, after making allowance for absenteeism, internal movements and promotions, wastage and changes in hours, and other conditions of work.[24]

Just as there are valid reasons why companies make demand forecast, there are enough arguments for supply forecast. In fact, fewer organisations estimate HR supplies than demand. Reasons for supply forecast are that it: (i) helps quantify number of people and positions expected to be available in future to help the

organisation realise its plans and meet its objectives; (ii) helps clarify likely staff mixes that will exist in the future; (iii) assess existing staffing levels in different parts of the organisation; (iv) prevents shortage of people where and when they are most needed, and (v) monitors expected future compliance with legal requirements of job reservations.

Supply forecast determines whether the HR department will be able to procure the required number of personnel. Specifically, supply forecast measures the number of people likely to be available from within and outside an organisation.

The supply analysis covers:

1. Existing human resources,
2. Internal sources of supply, and
3. External sources of supply.

Present Employees Analysis of *present employees* is greatly facilitated by HR audits. HR audits summarise each employee's skills and abilities. The audits of non-managers are called *skills inventories* and those of the management are called *management inventories*. Whatever name is used, an inventory catalogues each employee's skills and abilities.[25] This summary gives planners a comprehensive understanding of the capabilities found in the organisation's workforce.

Skills Inventories Skills inventories consolidate information about non-managers in the organisation. Because the information from skills inventories is used as input into transfer and promotion decisions, they should contain information about each employee's current job. Seven broad categories of information are included in each skills inventory. They are:

1. Personal data—age, sex, marital status.
2. Skills—education, job experience, training.
3. Special qualifications—membership in professional bodies, special achievements.
4. Salary and job history—present and past salary, dates of pay raises, various jobs held.
5. Company data—benefit plan data, retirement information, seniority.
6. Capacity of individual—scores on psychological and other tests, health information.
7. Special preference of individual—geographic location, type of job.

? Pause and Ponder

Can you make a comprehensive list of skills a successful individual should possess? Can you break them down on occupation/job-wise?

The popularity of skills inventories has increased with the proliferation of computers. Although traditionally, most of the desired information was available from individual personnel files, compiling was time consuming before computers became readily available. Use of computers for collecting, storing, maintaining, retrieving and validating HR data is popularly called the human resource information system (HRIS). (Read Exhibit 4.1 for more details.)

Exhibit 4.1 ***Human Resource Information System***

A human resource information system (HRIS) is a systematic procedure for collecting, storing, maintaining, retrieving and validating data needed by an organisation about its human resources. The HRIS is usually a part of the organisation's larger management information system (MIS). The HRIS need not be complex or even computerised. But computerisation has its own advantage of providing more accurate and timely data for decision making.

The areas of application of HRIS are many. Some of them include training management, risk management, turnover analysis, succession planning, flexible-benefits administration, compliance with government and legal requirements, attendance reporting and analysis, HRP, accident reporting and prevention, strategy planning, financial planning and other related areas.

STEPS IN IMPLEMENTING AN HRIS

As with any major change, proper planning is an absolute necessity for successful implementation of an HRIS. The steps outlined below describe the specific procedures involved in successfully developing and implementing an HRIS.

Step 1 *Inception of Idea* The idea for having an HRIS must originate somewhere. The originator of the idea should prepare a preliminary report showing the need for an HRIS and what it can do for the organisations.

Step 2 *Feasibility Study* Feasibility study evaluates the present system and details the benefits of an HRIS. It evaluates the costs and benefits of an HRIS.

Step 3 *Selecting a Project Team* Once the feasibility study has been accepted and the resources allocated, a project team should be selected. The project team should consist of an HR representative who is knowledgeable about the organisation's HR functions and activities and about the organisation itself and representatives from both management information systems and payroll. As the project progresses, additional clerical people from the HR department will need to be added.

Step 4 *Defining the Requirements* A statement of requirements specifies in detail exactly what the HRIS will do. A large part of the statement of requirements normally deals with the details of the reports that will be produced. Naturally, the statement also describes other specific requirements. This typically includes written descriptions of how users collect and prepare data, obtain approvals, complete forms, retrieve data, and perform other non-technical tasks associated with HRIS use. The key here is to make sure that the mission of the HRIS truly matches management's needs for an HRIS.

Step 5 *Vendor Analysis* This step determines what hardware and software are available that will best meet the organisation's needs for the lowest price. This is a difficult task. The best approach is usually not to ask vendors *if* a particular package can meet the organisation's requirements but *how* it will meet those requirements. The results of this analysis will determine whether to purchase an 'off-the-shelf' package or develop the system internally.

Step 6 *Package Contract Negotiation* After a vendor has been selected, the contract must be negotiated. The contract stipulates the vendor's responsibilities with regard to software, installation, service, maintenance, training, and documentation.

Step 7 *Training* Training usually begins as soon as possible after the contract has been signed. First, the members of the project team are trained to use the HRIS. Towards the end of the implementation, the HR representative will train managers from other departments in how to submit information to the HRIS and how to request information from it.

Step 8 *Tailoring the System* This step involves making changes to the system to best fit the needs of the organisation. A general rule of thumb is not to modify the vendor's package, because modifications frequently cause problems. An alternative approach is to develop programs that augment the vendor's program rather than altering it.

Step 9 *Collecting the Data* Prior to start-up of the system, data must be collected and entered into the system.

Step 10 *Testing the System* Once the system has been tailored to the organisation's needs and the data entered, a period of testing follows. The purpose of the testing phase is to verify the output of the HRIS and to make sure it is doing what it is supposed to do. All reports should be critically analysed for accuracy.

Step 11 *Starting Up* Start-up begins when all the current actions are put into the system and reports are produced. It is wise to attempt start-up during a lull period so that maximum possible time can be devoted to the HRIS. Even though the system has been tested, some additional errors often surface during start-up.

Step 12 *Running in Parallel* Even after the new HRIS has been tested, it is desirable to run the new system in parallel with the old system for a period of time. This allows for the comparison of outputs of both the system and examination of any inaccuracies.

Step 13 *Maintenance* It normally takes several weeks or even months for the HR people to feel comfortable with the new system. During this stabilisation period, any remaining errors and adjustments should be handled.

Step 14 *Evaluation* After the HRIS has been in place for a reasonable length of time, the system should be evaluated. Is the HRIS right for the organisation and is it being properly used?

Following the above steps when implementing an HRIS will not guarantee success, but it will increase the probability.

Source: Loyal L. Byars and Lesile W. Rue, *Human Resource Management*, McGraw-Hill, pp. 526–527.

A properly designed and updated skills-inventory system permits management to readily identify employees with particular skills in order to satisfy the changing needs of the company.[26]

HRIS is not just useful in human resource planning. Its uses extend to the whole gamut of HRM as Fig. 4.6 indicates.

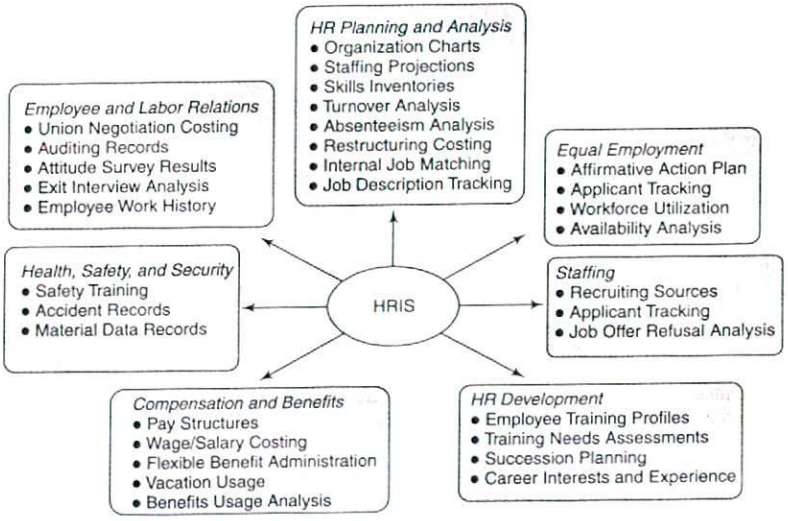


Fig. 4.6 Uses of a Human Resource Information System (HRIS)

Source: Adapted from *Human Resource Management* by Robert L. Mathis and John H. Jakson, p. 57.

Management Inventories These include such data as:

- Work history
- Strengths
- Weaknesses—identification of specific training programmes needed to remove the weaknesses
- Promotion potential
- Career goals
- Personal data[27]
- Number and types of employees supervised
- Total budget managed
- Previous management duties

Inventories of human resources are generally computerised and updated periodically. Updating is done at least once in two years. Before updating, employees are encouraged to report major changes, if any, in their careers—such as acquisition of new skills, completion of university degrees, changed duties, seminars attended, papers published, and the like.*

Internal Supply Armed with HR audits, planners can proceed with the analysis of internal supply. The techniques generally used for the purpose are: **(i)** inflows and outflows, **(ii)** turnover rate, **(iii)** conditions of work and absenteeism, **(iv)** productivity level, and **(v)** movement among jobs.

Inflows and Outflows The simplest way to forecast internal supply is the inflows and outflows method. The method is illustrated in Table 4.8.

Table 4.8 **Estimation of Internal Supply for a Word Processing Job**

Sources of Inflows	*No. of People*			*Sources of Outflows*	*No. of People*
			Current →	Resignations	13
Transfers in	12	→	Personnel Level →	Discharges	2
Promotions in	10	→	250 Operators →	Demotions	4
			→	Retirements	10
			→	Promotions	13
Total inflows	22		→	Total Outflows	42

Current personnel level – outflows + inflows = internal supply of word processors

250 – 42 + 22 = 230 processors

Source: Leap and Crino, *Personnel/Human Resource Management*, p. 172.

Table 4.8 provides an analysis of gains and losses of personnel for a particular job, that of a word processor, in a hypothetical organisation. The sources of losses and gains are enumerated and projected for a specific time period (e.g. a fiscal year). Total losses (42) are then subtracted from the current personnel

*It is surprising that most organisations (Bangalore based) which are market leaders in their respective areas and which have been in existence for several decades, do not maintain either skills inventories or management inventories. When the author enquired about the records, the response was that they were in the process of preparing inventory sheets.

level (250) and total gains are added (22) to determine the expected level of personnel at the end of the planning period (230). This figure must, then, be viewed in conjunction with the anticipated demand for word processors, in order to determine whether or not adjustments will be necessary (reconciliation of supply and demand) and to ensure that the supply will equal the demand.

A major concern associated with the approach taken in Table 4.8 is how the determination of the number of losses (transfers, resignations, discharges, promotions and so forth) and gains (promotions and transfers) is made. In certain cases such as transfers, promotions and retirements, it is possible to make very accurate estimate because specific employees might have been earmarked for promotions and transfers or some others might have announced their retirement plans. Estimates of losses due to resignations, discharges, or demotions must be made through individual or group judgements or by examining past turnover ratios. It should be remembered that resignations (voluntary turnover) are often affected by labour-market conditions, the organisation's promotion policy, and job vacancies within the organisation.[28] Therefore, if these factors change, loss ratios based on previous experience may not be reliable indicators of future turnover.

Turnover Rate Turnover rate is the traditional and simple method of forecasting internal supply. Stated mathematically, the turnover rate is:

$$\frac{\text{Number of separations during one year}}{\text{Average number of employees during the year}} \times 100$$

For example, if in a year, 30 out of an average force of 150 skilled fitters of a company left, (20 per cent turnover), and this trend continued, then the company will have to recruit 110 fitters during the following year, in order to increase and hold the labour force at 200 in that year (50 extra fitters, plus 40 to replace the 20 per cent separations of the average 200 fitters employed, plus 20 per cent to replace separations of the 90 recruits).[29]

Conditions of Work and Absenteeism Changes in conditions of work such as normal weekly working hours, overtime policies, the length and timing of holidays, retirement policy, the policy for employing part-timers and shift systems need to be assessed.

Absenteeism is understood as unauthorised absence from work. Stated differently, it amounts to absenteeism when an employee is scheduled to work but fails to report for duty.

Mathematically, absenteeism is calculated thus:

$$\frac{\text{Number of persons} - \text{days lost}}{\text{Average number of persons} \times \text{number of working days}} \times 100$$

Absenteeism obviously reduces the number of employees available for work. If the absenteeism rate is four per cent, only 96 out of 100 people are available for work. The effect of absenteeism on the future supply of labour should be allowed for, and trends in absenteeism should be analysed to trace causes and prescribe remedial actions.

Productivity Level Any change in productivity would affect the number of persons required per unit of output. Increase in productivity will reduce the requirement, and decrease in it would have the opposite effect. Let us assume the average sales per person in a year amounts to Rs 500,000. Reviews of changes in productivity levels reveal that sales per person have been increasing at the rate of 10 per cent per year. If the next year's projected sales are Rs 500,00,000, there would be no need for 100 sales persons (Rs 500,00,000 divided by Rs 500,000), but rather for only 91 sales persons since we expect an increase of Rs 550,000 in productivity per person.

Movement among Jobs Some jobs are sources of personnel for other jobs. For example, secretaries may be obtained by the promotion of typists, and branch managers are obtained from a pool of section

managers. If, for example, we anticipate a need for five new branch managers seven years from now, more than five potential branch managers should have entered the company this year, assuming that seven years is the average development time.[30] Obviously, some will quit before the seven years are up and others may not qualify for promotion.

External Supply

In addition to internal supply, the organisation needs to look out for prospective employees from external sources. External sources are important for specific reasons: **(i)** new blood and new experience will be available, **(ii)** organisation needs to replenish lost personnel, and **(iii)** organisational growth and diversification create the needs to use external sources to obtain additional number and type of employees.

Sources of external supply vary from industry to industry, organisation to organisation, and also from one geographical location to another. Some organisations have found that their best source of further employees are colleges and universities, while others achieve excellent results from consultants, competitors or unsolicited applications.

HR Programming

Once an organisation's personnel demand and supply are forecast, the two must be reconciled or balanced in order that vacancies can be filled by the right employees at the right time. HR programming, the third step in the planning process (*see* Fig. 4.3), therefore, assumes greater importance.

HR Plan Implementation

Implementation requires converting an HR plan into action. A series of action programmes are initiated as a part of HR plan implementation. Some such programmes are recruitment, selection and placement; training and development; retraining and redeployment; the retention plan; the redundance plan; and the succession plan. All these actions will be covered in detail in subsequent chapters. In this context, a brief note of each is given.

Recruitment, Selection and Placement After the job vacancies are known, efforts must be made to identify sources and search for suitable candidates. The selection programme should be professionally designed and, among other considerations, special care must be taken to ensure compliance with the reservation policies of the government.

Usually, companies hire for specific job openings. However, some companies hire a group of qualified individuals (management trainees, for example), not for specific jobs. In these cases, the groups of trainees move through a variety of assignments, over a year or two, and then they are placed on specific jobs. An effort is made to match individual job preferences and qualifications with organisational needs.

Employees are hired when there are job vacancies. However, employers should consider other alternatives to hiring additional full-time employees. For instance, employers might encourage employees nearing retirement age to continue working by building an increment in the pension formula to reward extra years of service more heavily, or they might re-hire retired employees on a part-time basis. If vacancies are caused by high turnover, employers should attempt to identify the causes of turnover and employ remedial measures. If successful, this course of action would save recruiting and training costs and might substantially improve employees' attitudes.

Hiring new employees would be unwise if there is a likelihood of the demand peaking quickly and then return to a lower level. In such situations, employers could institute an overtime scheme rather than hire additional employees. Even if overtime needs to be compensated at higher rates of wages, it may still be more economical than hiring, training, and providing benefits to new employees who are not needed over the long term. Alternatively, employers may choose to subcontract some work to another company during the peak demand or acquire temporary workers from firms specialising in such services. Finally, the entire way the work is done can be analysed and modified for greater efficiency, so that fewer staff are needed. Business Process Reengineering (BPR) helps firms eliminate unnecessary activities and steps, thus eliminating employee requirement (*see* Fig. 4.7).

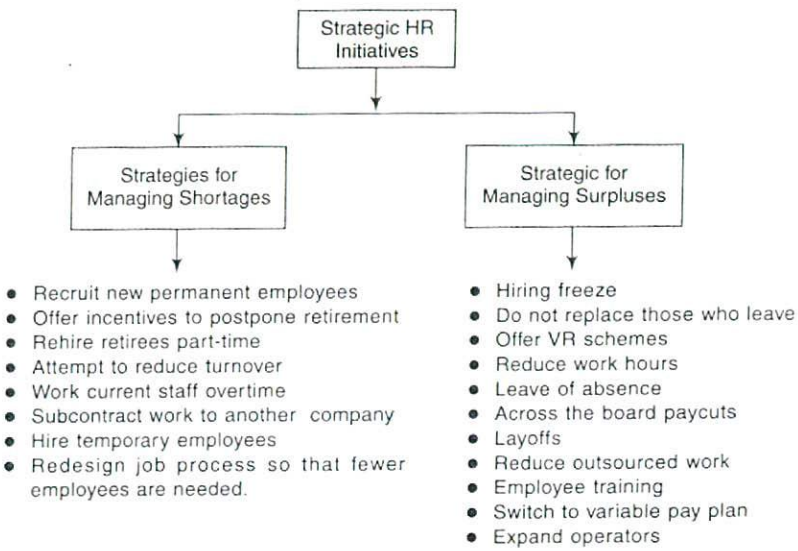


Fig. 4.7 Strategic HR Initiatives

Source: Jeffrey A. Mello, *Strategic Human Resource Management*, p.140)

Training and Development The training and development programme should cover the number of trainees required; training and development programmes necessary for the existing staff; identification of resource personnel for conducting development programmes, frequency of training and development programmes; and budget allocation for such programmes.

Retrainlng and Redeployment New skills are to be imparted to existing staff when technology changes. When a product line is discontinued, its employees are to be retrained and redeployed to other departments where they could be gainfully employed.

Retention Plan Retention plan covers actions which would help reduce avoidable separations of employees. Important actions under this head are:[31]

1. *Compensation Plan* Increasing pay levels to meet competition, improving pay structures to remove inequities, altering payment systems to reduce excess fluctuations, introducing incentives which would match performances.

2. Performance Appraisal To assess employee performance at least once in a year.

3. Employees Leaving in Search of Green Pastures Providing better career opportunities and ensuring that employees are aware of such schemes.

4. Employees Quitting because of Conflict To encourage conflict but maintain it at a reasonable level; when conflict exceeds safe limits, to take steps to resolve conflict.

5. The Induction Crisis Improving recruitment and selection procedures to ensure that job requirements are specified accurately and that the people who are selected fit the specifications; ensuring that candidates are given a realistic picture of the job, pay and working conditions, developing better induction and initial training programmes.

6. Shortages Improving recruitment, selection and training for the people required; introducing better methods of planning and scheduling work to lessen peak loads.

7. Unstable Recruits Taking more care to avoid recruiting unstable individuals by analysing the characteristics of applicants who are likely to cause instability, and using this analysis to select the right candidates.

Downsizing Plan Where there is surplus workforce, trimming of labour force will be necessary. The trimming or downsizing plan shall indicate:[32]

1. Who is to be made redundant and where and when;
2. Plans for re-development or re-training, where this has not been covered in the re-development plan;
3. Steps to be taken to help redundant employees find new jobs;
4. Policy for declaring redundancies and making redundancy payments; and
5. Programme for consulting with unions or staff associations and informing those affected.

Another method of dealing with surplus labour is to retain all employees but reduce the work hour (thus realise payroll savings), perhaps to a four-day, 32-hour work week. In this way, a company can spread a 20 per cent decrease in demand (and in pay) equitably across the whole workforce, rather than keep 80 per cent of the employees full-time and lay-off 20 per cent of them.

Depending on the nature of the surplus, a firm may be able to transfer or reassign employees to jobs in parts of the organisation that are still experiencing demand. Or if the firm expects the surplus to be short-lived and can afford to keep excess workforce on the payroll, the company can use the slack time to provide cross-training in related jobs to enhance workforce skills and flexibility. Alternatively, the surplus workers can perform equipment maintenance and overhaul or engage themselves in other activities that were postponed when demand was high.

Offering incentives for early retirement is another way of handling surplus labour. Euphemistically called as Voluntary Retirement Scheme (VRS), this method is widely practised as shown in Table 4.9. But HR planners and trainers may be forced to scramble to deal with a sudden short-fall of experienced staff, particularly when VRS is accepted by a large number of employees.

Laying-off is another strategy for dealing with surplus staff. This action is detrimental to both employees and employers. For employees, lay-off means joblessness and for employers, it means loss of reputation. Notwithstanding this, several firms are laying off their surplus employees. (Chapter 21 provides more details on these issues).

Table 4.9 **Downsizing Plans in Select Firms**

• Japan Airlines has plans to cut 4,200 jobs.
• Ford Motor has plans to cut 2,000 jobs initially.
• 20,000 jobs to go at Chrysler.
• P&G has plans to reduce some 9,600 jobs.
• Indian Hotel Company (managing the Taj Group of Hotels) is going to cut its manpower strength by 1,100 employees.
• Nationalised banks together have cut as many as 90,000 jobs.
• Fiat India has plans to reduce its workforce by 20–25 per cent.
• SAIL has trimmed its workforce by cutting 19,600 jobs.
• Nearly 7,000 employees at Motorola will lose their jobs.
• 25 per cent of the jobs at Hyundai Elect to be cut.

Managerial Succession Planning Notwithstanding the expansion or contraction of the total workforce in an organisation, the need for good managers is critical and perpetual. More and more organisations are planning for managerial succession and development because they have found that it takes years of systematic grooming to produce effective managers.

Managerial succession planning includes training programmes and series of job assignments leading to top positions.

Methods of succession planning vary. Most successful programmes, however, seem to include the top management's involvement and commitment, high-level review of the succession plans, formal assessment of the performance and potential of the candidates, and written development plans for the individual candidates. Succession plan should centre on important jobs and should identify correctly the skill requirement of those jobs.

Most managerial succession planning systems rely on committees of higher-level managers to identify high-potential candidates, and plan developmental activities for them. Development plans include formal training programmes and a series of job assignments leading to top positions. The plans are formally presented to higher-level managers for review.

A typical succession planning involves the following activities:[33]

1. Analysis of the demand for managers and professionals by company level, function, and skill.
2. Audit of existing executives and projection of likely future supply from internal and external sources.
3. Planning of individual career paths based on objective estimates of future needs, and drawing on reliable performance appraisals and assessments of potential.
4. Career counselling undertaken in the context of a realistic understanding of the future needs of the firm, as well as those of the individual.
5. Accelerated promotions, with development targeted against the future needs of the business.
6. Performance-related training and development, to prepare individuals for future roles as well as current responsibilities.
7. Planned strategic recruitment, not only to fill short-term needs but also to provide people for development to meet future needs.
8. The actual activities by which openings are filled.

? Pause and Ponder

Can you take inventory of who suceeded whom in the Indian corporate sector? For example Mukesh and Anil succeeded the late Dhirubai Ambani, so also Nandan Nilekani stepped into the shoes of Narayana Murthy. Proceed on these lines.

Control and Evaluation

Control and evaluation represents the fifth and the final phase in the HRP process (*see* Fig. 4.3). The HR plan should include budgets, targets and standards. It should also clarify responsibilities for implementation and control, and establish reporting procedures which will enable achievements to be monitored against the plan. These may simply report on the numbers employed against establishment (identifying both those who are in post and those who are in pipe line) and on the numbers recruited against the recruitment targets.[34] But they should also report employment costs against budget, and trends in wastage and employment ratios.

HUMAN RESOURCE PLANNING AND THE GOVERNMENT

Manpower planning has come to be recognised in India as one of the adjuncts of socio-economic planning since the early years of the planning era. Among the noteworthy steps taken by the Government of India in this direction is the setting up of the Institute of Applied Manpower Research (IAMR). The IAMR was set up in 1962, *inter alia* to conduct empirical research in manpower, to provide advisory and consultancy services to government departments and industry, and to impart training in methods and techniques of manpower planning. Training is now a major activity of the Institute.

REQUISITES FOR SUCCESSFUL HRP

There are at least eight pre-requisites for successful HRP:

1. HRP must be recognised as an integral part of corporate planning. The planner of human resources must therefore, be aware of the corporate objectives.
2. Backing of top management for HRP is absolutely essential.
3. HRP responsibilities should be centralised in order to co-ordinate consultation between different management levels.
4. Personnel records must be complete, up-to-date and readily available.
5. The time horizon of the plan must be long enough to permit any remedial action.
6. The techniques of planning should be those best suited to the data available and the degree of accuracy required.
7. Plans should be prepared by skill levels rather than by aggregates.
8. Data collection, analysis, techniques of planning and the plans themselves need to be constantly revised and improved in the light of experience.

BARRIERS TO HRP

Planners face significant barriers while formulating an HRP. The major ones are the following:

1. People question the importance of making HR practices future oriented and the role assigned to HR practitioners in formulation of organisational strategies. Their argument is simple—there are people when needed. Offer attractive packages of benefits to them to quit when you find them in surplus. When the task is so simple, why an elaborate and time-consuming planning for human resources? Thus goes the argument. Surprisingly, this perception about HRP is also held by the top management.
2. HR practitioners are perceived as experts in handling personnel matters, but are not experts in managing business. The personnel plan conceived and formulated by the HR practitioners when enmeshed with organisational plan, might make the overall strategic plan itself defective.
3. HR information often is incompatible with the information used in strategy formulation. Strategic planning efforts have long been oriented towards financial forecasting often to the exclusion of other types of information. Financial forecasting takes precedence over HRP.
4. Conflicts may exist between short-term and long-term HR needs. For example, there arises a conflict between the pressure to get the work done on time and long-term needs, such as preparing people for assuming greater responsibilities. Many managers are of the belief that HR needs can be met immediately because skills are available on the market as long as wages and salaries are competitive. These managers fail to recognise that by resorting to hiring or promoting depending on short-term needs alone, long-term issues are neglected.
5. There is conflict between quantitative and qualitative approaches to HRP. Some people view HRP as a numbers game designed to track the flow of people across the departments. These people take a strictly quantitative approach to planning. Others take a qualitative approach and focus on individual employee concerns such as promotability and career development. Best results would accrue if there is a balance between the quantitative and qualitative approaches.
6. Non-involvement of operating managers renders HRP ineffective. HRP is not strictly an HR department function. Successful planning needs a co-ordinated effort on the part of operating managers and HR personnel.

SUMMARY

Human Resource Planning (HRP) refers to the estimation of the number and the type of people needed during the ensuing period. HRP is significant as it helps determine future personnel needs; ensures protection to weaker sections; acts as a basis for other personnel functions; helps overcome resistance to change; and so on.

HRP is influenced by several factors, such as the type and strategy of organisation; environmental uncertainties; time horizons; type and quality of information; and type of jobs being filled.

The HRP is a five-step process. The steps are:

1. Defining organisational objectives and policies,
2. Forecast of personnel needs and supplies,
3. HR programming,
4. HRP implementation, and
5. Control and evaluation of programmes.

KEY TERMS

Delphi technique
Downsizing plan
Flow models
HRIS
HRP
Management inventories
Skills inventories
'Top-down' and 'bottom-up' approaches
Turnover rate

REVIEW QUESTIONS

1. What do you understand by HRP? What is its importance?
2. Explain the various steps in the HRP process.
3. How are personnel needs and personnel supplies estimated?
4. Define HRP. Bring out the factors influencing such a plan.
5. Explain the techniques of employee demand forecasting.
6. Explain the barriers to HRP. Bring out the requisites for effective planning.

DISCUSSION QUESTIONS

1. Comment on Fig. 4.3.
2. How can redundancies of labour in public sector units be removed? Discuss.
3. "As organisations become more global, HRP becomes more important and complex." Elucidate.
4. Suppose HR planners estimate that because of several technological innovations your company will need 25 per cent fewer employees in three years. What actions would you take today?
5. How is organisation-wide planning different from HRP? How are they similar?
6. How can organisations develop accurate HR plans when there are so many rapidly changing environmental factors over which managers have little or no control?
7. Why should HR plan be integrated with the overall organisational strategic plan? How can this integration be achieved?
8. Why is it important to use computers and quantitative techniques in HRP?
9. What can an organisation do when shortage of labour is anticipated? When internal supply exceeds demand?

Closing Case

PROMOTING THE PROTEGE

The *die* was cast. Prem Nath Divan, executive chairman of Vertigo, the country's largest engineering project organisation, decided to switch tracks for a career in academics. Divan was still six years short of the company's retirement age of 65. His premature exit was bound to create a flutter at the Vertigo board. Having joined Vertigo as a management trainee soon after college, he had gradually risen through the hierarchy to take a board position as the marketing director of the firm at 32. He had become the president five years later and the youngest chairman of the company at 45. But, by the time he was 50, the whizkid had acquired a larger than life image of a role model for younger managers and a statesman who symbolised the best and brightest face of Indian management.

On his wife's suggestion that it would be wise to discuss the move with one of his trusted colleagues before making a formal announcement of his intention to seek premature retirement, Divan called on Ramcharan Saxena, a solicitor who has been on the Vertigo board for over a decade. Saxena was surprised at Divan's plan. But he was unfazed. "If that is what you want to do for the rest of your life, we can only wish you well", he told him. "The board will miss you. But the business should go on. We should get down to the task of choosing a successor. The sooner it is done, the better."

"I think the choice is quite obvious," said Divan, "Ranjan Warrior. He is good and ..." Divan was taken aback to see Saxena grimace. "You don't have anything against him, do you?" he asked him. "No, no," said Saxena, "He is good. A financial strategist and a visionary. His conceptual skills have served the company well. But he has always had staff role with no line experience. What we need is someone from operations. Like Richard Crasta."

"Richard knows things inside out alright", said Divan, "But he is just a doer. Not fire in the belly. Vertigo needs someone who understands the value of power and knows how to use it. Like me. Like Ranjan."

"That is just the problem," said Saxena. "Prem, let me tell you something. Ranjan is a man in your own image. Everyone knows that he is your protégé. And protégés are never popular. He has generated a lot of resentment among senior Vertigo executives and there would be a revolt if he were to succeed you. An exodus is something we can't afford to have on our hands. We should think of someone else in the interest of stability of top management."

Divan could not believe what he heard. He had always prided himself on his hands-on style and thought he had his ear to the ground. "How could I lose touch?" he wondered, somewhat shaken.

"When you are the boss, people accept your authority without question," continued Saxena. "In any case, you have been successful at Vertigo and it is difficult to argue with success. But the moment you announce your intention to leave, the aura begins to fade away. And in deciding on your successor, the board will seek your opinion, with due regard to your judgement. The board members must do what in their view is right for the company. Having said that, may I also mention that if there is a showdown in the boardroom, you could always choose to stay on? We would like it. Or we could bring in an outsider."

"I have finalised my career plans and there is no question of staying on beyond six months from now," said Divan. "The board is scheduled to meet next month. Let us shelve the matter till then. In the meantime, I rely on you, Ram, to keep this discussion between the two of us."

"Of course yes," said Saxena.

On his way home, Divan thought about the matter in detail. Bringing an outsider would undo all his life's work at Vertigo. There were considerations like culture and compatibility which were paramount. The chairman had to be an inside man. "Richard lacks stature," Divan said to himself. "Ranjan is the one I have been grooming, but heavens, the flip side of it all had missed me completely. There is no way I can allow a split at the top just before I quit. I must leave on a high note in my own interest. I must find a way out of the imminent mess."

Questions

What should Divan do?[35]

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CHAPTER 5

Analysing Work and Designing Jobs

LEARNING OBJECTIVES

After reading this chapter you should have a good understanding of:

- The nature of job analysis and describe the process of conducting job analysis.
- The next logical step to job analysis is job design and describe the factors which affect job design.
- The various techniques of job design and explain each of them.

Opening Case

EXTREME JOBS—THE DANGEROUS ALLURE OF THE 70-HOUR WORKWEEK

A financial analyst we'll call Sudhir emigrated five years ago from Mumbai, India. He works at a major commercial bank in New York. Sometime, when he puts in 90 hours a week, is his "light" season. The rest of the year, he works upwards of 120 hours per week-leaving only 48 hours for sleeping, eating, entertaining, and (he smiles) bathing. Sudhir stays late in the office even when he has nothing particularly pressing to do. His get-a-life existence is a hazard of the profession—but worth it: As a 23-year-old with a first job, he is in the top 6% of earners in America.

Higher up the totem pole, Joe (not his real name) has risen through the corporate ranks to become a managing director at a major bank. Joe thought his workload would become lighter as he moved up, but the opposite has occurred: He now works six or seven days a week, from multiple locations. He keeps an apartment in New York, where he works two days, and is on the road another three or four days. Only on weekends does he see his wife and three children—who live in Connecticut. Even then, he gets calls in the middle of the night on Saturdays and Sundays, and flies out to see clients on a moment's notice. "The first year we were married," Joe's wife recalls, "we had to rearrange my grandmother's funeral so that he wouldn't miss a meeting."

Ming Mei is a managing director and a member of the executive committee at ProLogis, a fast-growing real estate investment trust with extensive operations in Asia. Mei is in charge of expansion in China, where he's built ProLogis's portfolio base from zero to 10 million square feet of properties over the past three years. The demands of his job are immense. Negotiating with Chinese government officials, he routinely packs five cities into six-day business trips. These trips can be grueling-back-to-back meetings spill over

into late dinners where key relationships are cultivated and cemented. Despite the pressure and the pace, Mei describes his job in glowing terms: "Building this business in markets where no one has done anything like this before is enormously exciting. And important. We've built distribution centers that are vital for China's growth—they contribute to the overall prospects of the economy."

Jonelle Salter is similarly enthusiastic about her job. An offshore installation manager (OIM) at BP, Jonelle knows what it's like to be in charge of the health and safety of 80 workers on an oil platform in the North Sea. On top of pressures that would face anyone in this job, she has some unique management challenges. As the first black woman to become an OIM at BP, Jonelle has sometimes had to go to extra lengths to establish her authority in this male-dominated environment. But she loves being a pioneer and credits BP for going out on a limb and finding a female mentor (Gro Kielland, a managing director for BP Norway) to help her through the rough patches. Jonelle talks eloquently about the thrill that comes with the challenges of her job. "You train and train, but you still don't know whether you'll come through when an emergency happens-and whether you can conjure up the right kind of leadership," she says. "It's a kind of test. And when you pass, you feel quite wonderful."

Sudhir, Joe, Mei, and Jonelle are succeeding in what we have come to term "extreme jobs," and they're not alone.

The Elements of Extremity

How do we define extreme jobs? For the purposes of data analysis, we've said that survey respondents have such jobs if they work 60 hours or more per week, are high earners, and hold positions with at least five of these characteristics:

- Unpredictable flow of work
- Fast-paced work under tight deadlines
- Inordinate scope of responsibility that amounts to more than one job
- Work-related events outside regular work hours
- Availability to clients 24/7
- Responsibility for profit and loss
- Responsibility for mentoring and recruiting
- Large amount of travel
- Large number of direct reports
- Physical presence at workplace at least ten hours a day

Across the economy, there are high-earning professionals whose work has become all consuming. The outrageous hours they put into their careers are matched only by the over-the-top rewards they receive.

Do these professionals constitute a new breed? Not entirely. Highly demanding and important jobs have always been around—along with the workaholics who created them where they didn't need to exist. Yet there is a difference. No longer the pitiable drones and graspers of society, today's overachieving professionals are recast as road warriors and masters of the universe. They labour longer, take on more responsibility, and earn more extravagantly than ever before—and their numbers are growing.[1]

In the previous chapter, we discussed the nature, techniques and significance of HRP. Now, in order to achieve effective HRP, the duties involved and the skills required for performing all the jobs in an organisation have to be taken care of. This knowledge is gained through the analysis of work, also called job analysis.

Job analysis was almost non-existent three decades ago. The major thrust behind the job analysis has been the civil rights movement which requires that the factors governing hiring, firing and promoting should be job related.

The only means of establishing this job-related factor has been to identify what the job entails and what an incumbent worker must possess to perform successfully on the job.[2] Job analysis helps establish this.

NATURE OF JOB ANALYSIS

Job analysis is the process of collecting job related information. Such information helps in the preparation of job description and job specification.

Before describing the nature of job analysis, it is useful to understand the meaning of job itself. A job is a bundle of related tasks. Vetting the CV of a job seeker is a task. The whole lot of tasks relating to recruitment (See Chapter 6 for details) constitutes job.

A synonym for job is work. Work is understood as physical and mental activity that is carried out at a particular place and time, according to instructions, in return for money.[3] Monetary consideration is crucial in determining whether or not an activity is really a work. If the house-wife herself mopps and mows, it is not work, as she is not doing that for money. But, if a servant is appointed and paid money for doing the household chores, it becomes work.

As with work, job also carries monetary consideration though not made explicit in the meaning given above. The job-incumbent attends to all the allied tasks for wages or salaries. His or her motivation, performance, and loyalty depend on how much he or she is paid at the end of a month.

? Pause and Ponder

Why do people like jobs but hate work?

Job or work transcends beyond related tasks and the money they carry. Work has two broad perspectives: sociological and psychological. The **psychological** perspective looks at the individual behaviour, a large body of literature covering the discipline of organisational behaviour. More specifically, psychological dimension of work is concerned with managerial problems of learning, attitudes, perception, motivation and job satisfaction. The **sociological** dimension of work is concerned with the broader contextual and structural factors affecting people's experience of work. At the core of the sociological perspective are such managerial issues as leadership, communication, power and politics, division of labour, and group dynamics.[4]

The nature of the work and how managers organise work is a critical element affecting human resource activities. Before discussing design and organisation of work, it is desirable that we know job analysis—the tool for collecting job related data.

Job analysis refers to the process of collecting information about a job. The process of job analysis results in two sets of data: (i) Job description, and (ii) Job specification (Fig. 5.1 brings out the distinction between the two by-products more clearly).

Job description, as shown in Fig. 5.1 indicates what all a job involves—tasks and responsibilities taged on to a job. Job title, duties, machines, tools and equipment, working conditions and hazards form part of job description.

The capabilities that the job-holder should possess form part of job specification. Education, experience, training, judgement, skills, communication skills and the like are a part of job specification.

What is important is that there should be fit between job demands (job description) and abilities required to discharge the tasks (job specification). Any mismatch is likely to result in job dissatisfaction that carries dysfunctional consequences like low productivity, absenteeism and turnover.

JOB ANALYSIS AND COMPETITIVE ADVANTAGE

As will be explained later, job analysis has its impact on all functions of HRM. Job analysis, if properly done, will enhance the effectiveness of all HR activities. Specifically, job analysis benefits an organisation in the following ways:

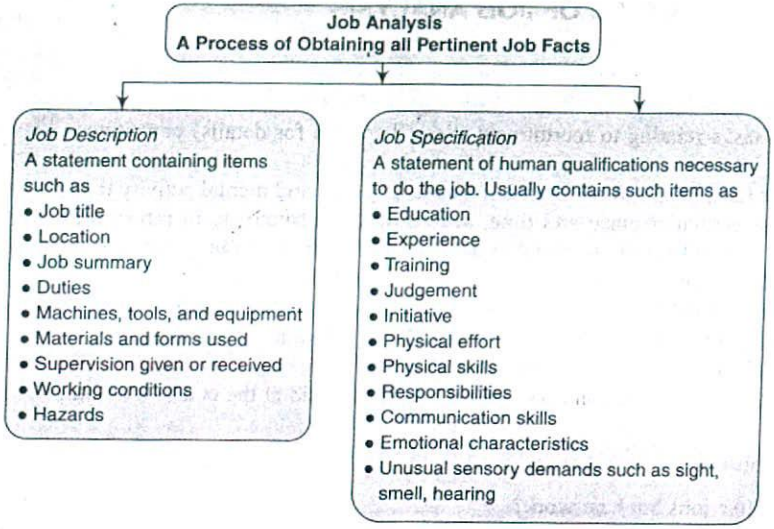


Fig. 5.1 Job Description and Job Specification in Job Analysis

Source: Dale S. Beach, *Personnel—The Management of People at Work*, p. 166.

- Laying the foundation for human resource planning.
- Laying the foundation for employee hiring
- Laying the foundation for training and development.
- Laying the foundation for performance appraisal.
- Laying the foundation for salary and wage fixation.
- Laying the foundation for safety and wealth (All these are explained later in this chapter.)

THE PROCESS OF JOB ANALYSIS

Figure 5.2 illustrates the process of job analysis. The figure also points out the uses of information about jobs. As may be seen from the figure, job analysis is useful for several purposes, such as personnel planning, performance appraisal and the like. Each phase in the process of job analysis is explained in the paragraphs that follow.

Strategic Choices

With regard to job analysis, an organisation is required to make atleast five choices:

1. The extent of employee involvement in job analysis.
2. The level of details of the analysis.
3. Timing and frequency of analysis.
4. Past-oriented *versus* future-oriented job analysis.
5. Sources of job data.

Employee Involvement As was stated above, job analysis involves collecting job-related information-duties, responsibilities, skills and knowledge required to perform the jobs. It may be stated that in job

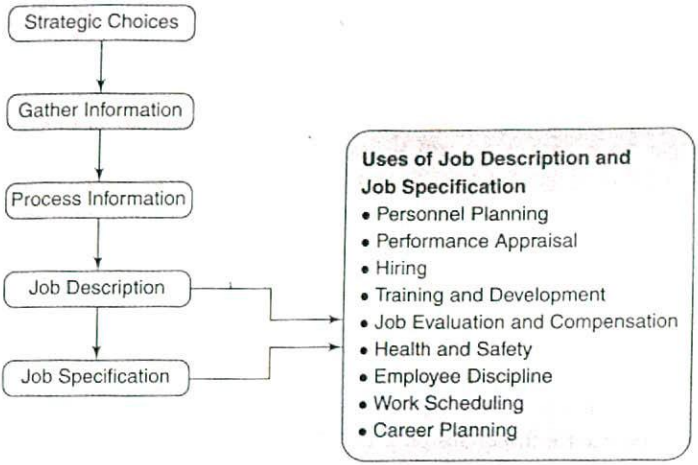


Fig. 5.2 Process of Job Analysis

Source: Adapted from *Personnel/Human Resource Management* by Leap and Crino, p. 121.

analysis, information about a job is collected and not about the incumbent, however, the job holder is consulted. Employees are often asked to supply vital information about the contents of job, given their familiarity with it.

To what extent employees need to be involved is a debatable point. Too much involvement may result in bias in favour of a job, as the employee is likely to inflate the duties and responsibilities of his jobs, just to make it appear more important than it actually is. On the other hand, if employees are not involved or only minimally involved, they tend to become suspicious about the motives behind the job analysis. Besides, lack of involvement from employees may lead to inaccurate and incomplete information. The extent to which employees are involved depends upon the needs of both the organisation and the employees.

Job analysis involves collection of job related information. The focus is on the job but not on the individual holding the job. However, individuals are consulted.

An organisation expects accurate information about the jobs being analysed. However, the organisation may also be concerned about the employees' reactions to having their jobs analysed. In order to prevent employee dissatisfaction, uncertainty and anxiety, firms should communicate the reasons for conducting the job analysis and keep the employees informed about the job-analysis process.

The Level of Details The level of analysis may vary from detailed, as in time and motion studies, to broad as in analysing jobs based on general duties. The level of analysis affects the nature of the data collected.

The nature of job being analysed determines the level of detail in job analysis. For example, analysing the number of movements an employee makes and the frequency of job-related movements would be more relevant for a crane operator's job than a HR manager's position. It would be more appropriate and informative to analyse a HR manager's job by describing the various duties and responsibilities the job requires.

The level of details required in job analysis also depends upon the purpose for which job-related details are being collected. For example, if the primary purpose of analysing the job is for a mass input for intensive training programmes or an input for assessing how much the job is worth, the level of details

required may be great. However, if the job analysis is being done to add clarification to the rules and responsibilities of job holders, a less-detailed job analysis may be needed.

When and How Often Another strategic choice relates to the timing and frequency of conducting job analysis. Job analysis is generally conducted when **(i)** an organisation is newly established and the job analysis is initiated for the first time; **(ii)** a new job is created in an established company; **(iii)** a job is changed significantly due to change in technology, methods, procedures or systems; **(iv)** the organisation is contemplating a new remuneration plan; or **(v)** the employees or managers feel that there exist certain inequities between job demands and the remuneration it carries.

Past-Oriented versus Future-Oriented If an organisation is changing rapidly due to fast growth or technological change, a more future-oriented approach to job analysis may be desired. Traditional job analysis information describes how the job has been done in the past and the manner in which it is being currently done. If necessary, a future orientation can be given to the job analysis and predictions may be made as to how the job will be done in future and the way it should be done. This will allow firms to begin hiring and training people for these jobs prior to the actual change. For example, personal computers began to replace electronic typewriters, thus changing the character of many typist jobs. Many companies anticipated these changes and began retraining their typists before changing over to personal computers.

Source of Job Data Although the most direct source of information about a job is the job holder, a number of other human and non-human sources are available (*see* Table 5.1). These sources may provide information which an average job holder cannot, thereby enabling the job analyst to question the job-holder more effectively.

Table 5.1 **Sources of Job Data**

Non-human Sources	*Human Sources*
Existing job descriptions and specifications	Job analysts
Equipment maintenance records	Job incumbents
Equipment design blueprints	Supervisors
Architectural blueprints of work area	Job experts
Films of employees working	
Training manuals and other job training materials	
Popular literature such as magazines and newspapers	

Source: Cynthia D. Fisher, et. al., *Human Resource Management*, Houghton Miffin, 1997, p. 140.

The first place a job analyst should look for information about a job is in the job-analysis data that already exist. However, the analyst should view this data with caution. For, they may have been developed using inadequate procedures or they may no longer be valid descriptions of the present-day jobs.

In deciding the sources to be used in a given job analysis, the analyst should follow at least two guidelines:

1. For non-human sources, use such sources which are most recent, and
2. Use several sources for information whenever possible.

A job analyst who uses job incumbents and supervisors as a source of information should make sure that these individuals have had an adequate opportunity to perform the job, or observe the job being performed. Care should be taken to interview both males and females if both the sexes perform the job. This is desirable since females tend to have lesser job experience than men. It is also desirable to collect information from both high and low performers, although the type of information provided by them may not be significantly different. It is particularly important to collect job-related details from groups of individuals with varying levels of experience on the job. This is because the duties performed by individuals with more experience tend to vary substantially from those having a lesser experience.

Pertaining to human sources, the person who provides data is important for at least two reasons. First, since job data are used for several purposes, the information should be collected from reliable sources. Second, when firms find themselves defending their HR practices in courts of law (as in cases of sex, race, or age discrimination suits), judges are particularly interested in the adequacy of the job-analysis information.

The relevance of job analysis is becoming vague more now than even before. Firms are becoming increasingly *de-jobbed*—jobs are becoming more amorphous and more difficult to define.

De-jobbing is the result of several changes taking place in business today. Firms need to keep pace with a number of revolutionary forces—accelerating product and technological changes, globalised competition, deregulation, political instability, demographic changes, trend towards a service-oriented society, and the arrival of the information age. Forces like these have changed the playing field on which firms compete. This rapid change has dramatically increased threats for firms. They need to be responsive, flexible, and capable of competing in a global market place.

Organisations are increasingly getting de-jobbed. Jobs are becoming more amorphous and more difficult to define.

? Pause and Ponder

Amazon.com is one company that has de-jobbing practice. Here a worker is switching from job to job in three months' intervals. The .com puts more emphasis on broader worker specifications than on detailed job descriptions. Do you find any other organisation(s) practising de-jobbing?

Flattening organisations, creating empowered teams, re-engineering and the like are the techniques which make firms highly responsive, flexible and competitive. Firms are slowly moving towards new organisational configurations, ones built around jobs that are broad and that may change every day. People in such situations no longer take their cues from job descriptions or a supervisor's instructions. Signals come from the changing demands of the work. Workers learn to focus their individual efforts and collective resources on such work that needs doing. They change as the needs of the hour change. Managers lose their jobs, not because they are unfit, but because they have no work to do. Exhibit 5.1 describes some practical HR implications.

Exhibit 5.1 ***Job Analysis, Human Resource, and the De-jobbed Company***

Because job descriptions are (deservedly) so well-ingrained in the way most companies operate, it is unlikely that most firms could (or should) do without them, at least for now. As the number of firms which are shifting to HR systems that do not involve job description, the question is—what replaces them?

In the exploration division of one firm—British Petroleum (BP)—the need for a flatter organisation and empowered employees inspired the management to replace job descriptions with matrices listing skills and

skill levels. The senior management wanted to shift employees' attention from a job description ("that's not my job" mentality) to one that would motivate the employees to obtain the new skills they needed to accomplish their broader responsibilities. The solution was a skills matrix. Skills matrices were created for various jobs within two classes of employees, those on a management track and those whose aims lay elsewhere (such as those stayed in engineering). For each job or job family (such as the position of a drilling manager), a matrix was prepared. It identified (i) the basic skills needed for that job, and (ii) the minimum level of each skill required for that job or job family.

Such a matrix shifts employees' focus. The emphasis in no longer on a job description which lists specific job duties. Instead, the focus is on developing the new skills needed for the employees' broader, empowered, and often relatively undefined responsibilities.

The skills-matrix approach has prompted other HR changes in BP's exploration division. For example, the matrices provide a constant reminder of the skills that employees must improve, and also the firm's new skill-based pay awards based on skills improvement. Similarly, performance appraisals now focus more on employee skills, and every training programme emphasises developing broad skills like leadership and planning—ones that are applicable across a wide range of responsibilities and jobs.

Broader HR issues are also involved when firms de-job. The de-jobbed company should find people who can work well without the cue system of job descriptions. This puts a premium on hiring people, as the people should be with the skills and values to handle empowered jobs.

There is also a shift from training to education, in other words, from teaching employees the "how" of the job to increasing their insight and understanding regarding its "why". In a rapidly changing industrial environment, the demands for flexibility and responsiveness mean that it is impossible to hire people who already know everything. Here, continuing education over the course of the employees' organisational career becomes the norm.

Source: Gary Dessler, *Human Resource Management*, Prentice-Hall of India, 1998, p. 111.

Information Gathering

This step involves decisions on three issues, viz;

1. What type of data is to be collected?
2. What methods are to be employed for data collection?
3. Who should collect the data?

So far as the type of data to be collected is concerned, it may be stated that all details about the jobs need to be gathered. Table 5.2 brings out the elements to be gathered from a given job. The type of data, however, depends on the end use of the information, as also on the time and budget constraints.

With regard to the *methods* for data collection, there are several of them, but the more prominent of them are—**(i)** observation, **(ii)** interview, **(iii)** questionnaires, **(iv)** checklists, **(v)** technical conference, and **(vi)** diary methods. These methods will be explained in detail latter.

With regard to the *persons* employed to collect data, it may be stated that three types of individuals are used. They are—**(i)** trained job analysts, **(ii)** supervisors, or **(iii)** job incumbents.

Each of these alternatives has its own merits and demerits. Trained analysts, for example, will lend objectivity and standardisation to the data collected but they, implicitly, mean outflow of money. Supervisors and job holders provide information with no extra cost, but the data may not be objective and standardised. Table 5.3 summarises the advantages and limitations of the three alternatives of data collection. It may be stated that the individuals who collect job-related data determine the accuracy, speed and cost of information.

Table 5.2 Types of Job Analysis Information

I Work Activities
- A. Description of work activities (tasks)
  1. How is a task performed?
  2. Why is a task performed?
  3. When is a task performed?
- B. Interface with other jobs and equipment
- C. Procedures used
- D. Behaviours required on the jobs
- E. Physical movements and demands of the jobs

II Machines, Tools, Equipment and Work Aids Used
- A. List of machines, tools, etc. used
- B. Materials processed with items listed in II-A
- C. Products made with items listed in II-A
- D. Services rendered with items listed in II-A

III Job Context
- A. Physical working conditions
  1. Exposure to heat, dust, toxic substances
  2. Indoor versus outdoor environment
- B. Organisational context
- C. Social context
- D. Work schedule
- E. Incentives (financial and non-financial)

IV Personal Requirements
- A. Specific skills
- B. Specific education and training
- C. Work experience
- D. Physical characteristics
- E. Aptitudes

Source: Leap and Crino, *Personnel/Human Resource Management*, p. 127.

Table 5.3 Persons Responsible for Data Collection—Advantages and Limitations

Persons Collecting Job Analysis Data	*Advantages*	*Limitations*
Trained analyst	Objectivity is maximised Consistent reporting of information Expertise in job-analysis method used	Expensive May overlook certain intangible aspects of job because of lack of familiarity

(Contd.)

(*Contd.*)

Supervisor	Familiarity with jobs being analysed Fast data collection Intangible aspects of job too are collected	Needs training for effective job analysis Severe time burden imposed Objectivity may be a problem colected Less standardisation of data
Job holder	Greater familiarity with the job Fast data collection Less expensive	Problems with response patterns due to ambiguity in job analysis questionnaire Poor standardisation of data Restrictive job sample (unless other employees in the same job also analyse their jobs)

Source: Adapted from *Personnel/Human Resource Management* by Leap and Crino, p. 133.

The selection of a particular method of collecting job-analysis information and of the person(s) to be involved depends on two important factors: **(i)** what is the purpose of job analysis, and **(ii)** what is the status of the current job analysis programme?[5]

With regard to the *purpose* of job analysis, it may be stated that the programme is useful in overall PM/HRM. Specifically, job analysis, as stated earlier, provides information to develop job descriptions and job specifications, and to conduct job evaluations. These, in turn, are useful in helping managers identify the kinds of individual they should recruit, select, and develop, as well as providing guidance for decisions about training and career development, performance appraisal, and wage and salary administration.

Speaking about the *status* of the job-analysis programme, there are two possibilities. First, a given company may not have such a programme. Two, the firm may have a well-established job-analysis programme. Where the programme is non-existent, the company must appoint a consultant who will select a method for data collection, supervise its administration and analyse the information, and write the job descriptions and specifications.

For organisations with a well-established job-analysis programme, it should be remembered that job-analysis information provides only a snapshot of a particular job. Jobs change over a period of time due to technological innovations, organisational restructuring and changes in products, among other reasons. Thus, well-administered job-analysis programmes provide a built-in system for periodically reassessing jobs. This reassessment may be done, expeditiously, through observations, interviews, or by using a brief questionnaire or checklist. Unlike performing job analysis from scratch, keeping the programme up-to-date is a much less expensive and less time-consuming endeavour.[6]

Information Processing

Once the job information has been collected, it needs to be processed, so that it would be useful in various personnel functions. Specifically, job-related data would be useful to prepare job description and job specification (*see* Fig. 5.1).

Job Description Job description implies objective listing of the job title, tasks, duties and responsibilities involved in a job. Job specification, on the other hand, involves listing of employee qualifications, skills and abilities. These specifications are needed to do the job satisfactorily. Often, practitioners make no

distinction between job description and job specification. The two terms are used interchangeably. Exhibit 5.2 shows a typical job description of a Senior Officer (Direct Materials, Manufacturing, Planning and Sales).

Exhibit 5.2 ***Job Description***

1. **JOB TITLE** — Senior Officer (Direct Materials, Manufacturing, Planning and Sales)—ABE/VLP
2. **RANGE** — Nasik—N/WEL
3. **DEPARTMENT** — Direct Materials, Manufacturing Planning and Sales—ABE/VLP
4. **REPORTS TO**—(Functionally) — Manager (Materials) N/AVE
   —(Administratively) — Manager (Materials) N/AVE
5. **IMMEDIATE LEVEL SUBORDINATES**
   (i) Officer (Purchase and Packing Materials, Vendor Development)
   (ii) Assistant Officer (Direct Materials Planning)
   (iii) Assistant Officer (Despatch)
   (iv) Assistant Store Keeper (Finished Goods)
6. **OBJECTIVES OF THE JOB** (Summary of the position):
   (i) Planning, following of direct materials, purchased components.
   (ii) Planning and procurement of all packing materials. Price negotiations, vendor development.
   (iii) Planning quantity of products/components to be produced as per production programme and release of manufacturing orders.
   (iv) Inventory control of direct materials, manufactured components and wip (products). Control of critical items and of slow/non-moving items.
   (v) Maintenance of all Central Excise records and rules.
   (vi) Planning, scheduling and despatch of finished goods.
   (vii) Transport contracts, negotiations and transport arrangements.
   (viii) Proper receipt, storage and issue/packing of finished goods.
7. **PRINCIPAL DUTIES AND RESPONSIBILITIES**

   Manufacturing Planning

   (i) Co-ordination with B/VLP, VKH and other personnel from, VEL range for sales programme supplies, production and despatch of urgent items made at Nasik. Translate sales requirements into manufactured components at various stages considering scrap.
   (ii) Decide quantities and due months for manufacturing orders at various stages of production, with due consideration for sales programme and wip limits. Prepare and issue manufacturing of orders to shop through PPC or stores and pre-determined quantity material indents.
   (iii) Control issue of manufacturing orders to meet wip limits. Follow up issued orders to minimise pending orders. Review and modify manufacturing orders according to changes in sales programme.

   Materials Planning

   (iv) Prepare short term (4–6 months) materials plans for ABE including materials call-off schedules. Prepare critical items list to B/ABE on a monthly basis.
   (v) Review supplies against material call of schedules and follow up for critical list items.
   (vi) Prepare monthly, weekly and quarterly data regarding material receipts stocks, issued at Nasik for ABE. Provide data for long term (15 months) material planning for imported materials used at Nasik for obtaining import licenses.
   (vii) Plan, indent, release orders for packing materials. Review and modify orders based on sales programme changes.

Inventory Control

(viii) Control Nasik inventories of direct raw materials by monitoring material inflows, advance/ excess deliveries. Review excess/dead stocks periodically and initiate actions for disposal. Identify high wip stocks and assist N/FAF, N/PPC, shop to correct situation.

(ix) Prepare inventory projections with changes in production levels, product mix, process, capacity or through put times.

Future Plans

(x) Supervise receipt storage and issue of raw materials and manufactured components at various stages of manufacture. Ensure compliance with norms, e.g. Limit issues to predetermined quantity, indents, etc.

(xi) Supervise receipt, storage, issue and return of materials to STE through Stores Officers/Assistant Store Keeper.

(xii) Ensure regular operation of scrapyard through highlighting, non-disposal of scrap, ensuring correct removal of scrap disposal.

Sales

(xiii) Plan monthly despatch. Ensure and follow daily despatch schedule. Arrange transport. Check, ensure timely deliveries.

(xiv) Ensure proper maintenance and follow Central Excise rules, documentation.

(xv) Inventory control by arranging timely despatches.

(xvi) Transport contracts and development of new transporters mainly for despatches of finished goods.

(xvii) Prepare monthly production statements, yearly quantity reconciliation as per production statements and as per Central Excise records.

(xviii) Insurance matters and claims for finished goods.

(xix) Ensure smooth functioning of finished goods stores, proper receipt, storage, issue, packing and loading.

(xx) Arranging direct export, ensure proper documentation, liaise with VH/BO, VKA for early clearance, for future orders.

Others

(i) Plan and execute periodic stock taking of materials in stores and in shops. Analyse and reconcile inventory differences. Modify/improve systems to ensure minimum discrepancies.

(ii) Liaise with external auditors, N/WIR personnel to help generate statutory balance sheet schedules related to materials consumption stocks and production figures.

(iii) Administration of N/ABE/VLP department—leave, overtime training, disciplinary action, etc.

(iv) Co-ordination and follow up with N/FVB, N/FAF and B/EMV development and trial orders for Nozzles and Nozzle holders to ensure completion of orders by due dates.

(v) Attending customer urgencies, coordinate with N/FAF—PPC to change schedules if required. Follow up to maintain commitments as per due dates.

(vi) Attending external auditors from Central Excise/CERA.

8. AUTHORITY LIMITS

Decisions taken without prior reference to superiors:

(i) Buffer stock levels of individual items.

(ii) Manufacturing orders release in line with sales/production programme.

(iii) Flow of material.

(iv) Alternate materials usage in consultation with N/FVB personnel.

(v) Leave, overtime of ABE/VLP department.

(vi) Daily despatches, mode of despatch.

Only recommendations made and decisions to be approved by superiors:

(i) Changes in sales/production programme.

(ii) Critical material follow up.

(iii) Increments to personnel in ABE/VLP

Exhibit 5.3 is a typical example of job description and job specification being combined.

Exhibit 5.3 ***Combination of Job Description and Job Specification***

Director—Human Resources

Our client is a large speciality chemicals corporation with a global presence. The organisation has an impressive growth and profitability record. Its corporate mission is to become a key international player in its field and it invites you to join the top management team to accomplish this challenging task.

You would be responsible for:

- Providing leadership to a team of managers in training and development, personnel and industrial relations.
- Providing process and system inputs for enabling the company to achieve the goal of continuous performance improvement across the organisation.
- Influencing the management style and culture for creating an environment of excellence and in fostering a feeling of ownership among the employees.
- Periodically reviewing and restructuring the organisation as required by changing market scenario and business strategy.

Success in this assignment requires a total business perspective with specialisation in Personnel Management and Organisational Development. You should possess a post graduate qualification in management with a proven track record of achievement in the above areas. The position requires a high degree of initiative, tenacity and strategic influencing skills. The preferred age is around 45 years.

If you are confident of your abilities and enjoy challenge, this could be the opportunity you are looking for. Our client ranks amongst the best paying organisations in India. The position offers ample opportunities for career growth.

Please send your detailed resume through speed post. Your identity will not be disclosed to the client until we have discussed the position with you in detail.

Purposes of Job Analysis

As was stated earlier, job analysis is useful for overall management of all personnel activities. While this is a generalised statement, it is important to specify the uses of job analysis.

Job-related data obtained from a job-analysis programme are useful in HRP, employee hiring, training, job evaluation, compensation, performance appraisal, computerised personnel information systems, and safety and health (*see* Fig. 5.3). Each of these applications of job analysis is described in brief here. They will however be explained in greater detail in subsequent chapters.

Human Resource Planning HRP, as pointed out in Chapter 4, determines as to how many and what type of personnel will be needed in the near future. The number and the type of personnel are determined by the jobs which need to be staffed. Job-related information is, therefore, necessary for HRP.

Recruitment and Selection Recruitment needs to be preceded by job analysis. Job analysis helps the HR manager to locate places to obtain employees for openings anticipated in the future. An understanding of the types of the skills needed and types of job that may open in the future, enables managers to have a better continuity and planning in staffing their organisation.

Similarly, selecting a qualified person to fill a job requires knowing clearly the work to be done and the qualifications needed for someone to perform the work satisfactorily. Without a clear and precise understanding of what a job entails, the HR manager cannot effectively select someone to do the job.

The objective of employee hiring is to match the right people with the right jobs. The objective is too difficult to achieve without having adequate job information.

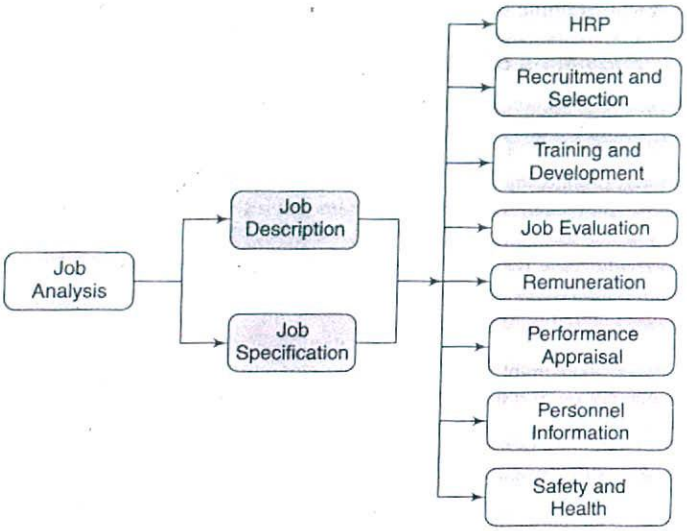


Fig. 5.3 Uses of Job Analysis

Training and Development Job analysis is useful for an HRD manager inasmuch as it helps him/her know what a given job demands from the incumbent in terms of knowledge and skills. Training and development programmes can be designed depending on the job requirements. Selection of trainees is also facilitated by job analysis.

Job Evaluation Job evaluation involves determination of relative worth of each job for the purpose of establishing wage and salary differentials. Relative worth is determined mainly on the basis of job description and job specification.

Remuneration Job evaluation helps determine wage and salary grades for all jobs. Employees need to be compensated depending on the grades of jobs which they occupy. Remuneration also involves fringe benefits, bonus and other benefits. Clearly, remuneration must be based on the relative worth of each job. Ignoring this basic principle results in inequitable compensation. A perception of inequity is a sure way of demotivating an employee.

Performance Appraisal Performance appraisal involves assessment of the actual performance of an employee against what is expected of him/her. Such assessment is the basis for awarding promotions, effecting transfers, or assessing training needs. Job analysis facilitates performance appraisal inasmuch as it helps fix standards for performance in relation to which actual performance of an employee is compared and assessed.

Personnel Information Organisations generally maintain computerised personnel information systems. Such information system is useful as it helps:

1. Improve administrative efficiency by speeding up the provision of data, by reducing the resources required to carry out routine administration, and by freeing the resources for higher-value activities which are fundamental to the success of the management.

2. Provide decision support—information which gives a factual basis for decisions concerning the planning, acquisition, development, utilisation and remuneration of human resources.[7]

Job analysis is vital for building such information systems.

Safety and Health The process of conducting a detailed job analysis provides an excellent opportunity to uncover and identify hazardous conditions and unhealthy environmental factors (such as heat, noise, fumes, and dust), so that corrective measures can be taken to minimise and avoid the possibility of human injury.[8]

METHODS OF COLLECTING JOB DATA

The methods of collecting job-related data are—**(i)** observational method, **(ii)** interviews, **(iii)** questionnaire, **(iv)** checklists, **(v)** technical conferences, and **(vi)** diary (*see* Fig. 5.4). A combination of these approaches may be used depending upon the situation and the organisation. A brief description of each method is in order.



Fig. 5.4 Methods of Collecting Job Data

Observation In this method, the job analyst carefully observes the job holder at work and records what he or she does, how he or she does, and how much time is needed for completion of a given task. This method has both positive as well as negative sides. On the positive side, the method is simple, and the data collected are accurate because of direct observation. On the flip side, it may be told that the method is time consuming and inapplicable to jobs which involve high proportions of unobservable mental activities and those which do not have complete and easily observable job cycles. The analyst needs to be trained to carefully observe and record the competence of a job incumbent. And training means additional cost. Considering all these, the observation method may be used for analysing repetitive, short-cycle, unskilled and semi-skilled jobs. Better results will be available when the observation method is used along with other method(s) of job analysis.

Interview In this, the analyst interviews the job holder and his/her supervisor to elicit information about the job. Usually, a structured interview form is used to record the information. During the interview, the analyst must make judgements about the information to be included and its degree of importance.

The interview method is time consuming. The time problem will be compounded if the interviewer talks with two or more employees doing the same job. Furthermore, professional and managerial jobs are more complicated to analyse and usually require a longer interview.[9] Then, there is the problem of bias. Bias on the part of the analyst and the job holder may cloud the accuracy and objectivity of the data obtained. The interview method has one positive feature, that is, it involves talking to the job holders who are in a good position to describe what they do, as well as the qualifications needed to perform their duties in a competent manner.

The effectiveness of the interview method depends on the interviewer and on the ability of the job holder to make meaningful responses.

Questionnaire Job holders fill in the given structured questionnaire, which are then approved by their supervisors. The filled-in questionnaires offer enough data on jobs. Standard questionnaires are available or they may be prepared for the purpose by the analysts. Standard or prepared, questionnaires should contain the following basic information:[10]

1. The job title of the job holder;
2. The job title of the job holder's manager or supervisor;
3. The job titles and numbers of the staff reporting to the job holder (best recorded by means of an organisation chart);
4. A brief description (one or two sentences) of the overall role or purpose of the job; and
5. A list of the main tasks or duties that the job holder has to carry out; as appropriate, these should specify the resources controlled, the equipment used, the contracts made and the frequency with which the tasks are carried out.

These basic details can be supplemented by questions designed to elicit from the job holder some information about the level of his/her responsibilities and the demand made upon him/her by the job. Such questions are difficult to phrase and answer in a meaningful way. The replies may be too vague or misleading and usually have to be checked with the job holder's supervisor. But they at least give the job holder an opportunity to express his/her feelings about the job and they can provide useful leads for further clarifications. These questions can cover such aspects of the job as:

1. The amount of supervision received and the degree of discretion allowed in making decisions;
2. The typical problems to be solved and the amount of guidance available while solving the problems;
3. The relative difficulty of the tasks to be performed; and
4. The qualifications and skills required to carry out the work.[11]

The questionnaires method has its own advantages and limitations. The major advantage of the questionnaire method is that information on a large number of jobs can be collected in a relatively short period of time. But some follow-up observations and discussions are necessary to clarify inadequately filled-in questionnaires and interpretation problems. Further, the questionnaire method helps save time and the staff required to carry out the programme. Finally, all the job holders participate in the method unlike in an interview where one or two workers only would participate.

The accuracy of the information obtained through the questionnaire leaves much to be desired. Job-analysis work requires specialised knowledge and training. The average employee, although, knows best what his/her duties are, he/she is not trained to identify the essential aspects of his/her work and often cannot express the information in a meaningful and clear fashion.[12] To depend exclusively upon questionnaires as the source of job information is bound to create some errors in the programme.

Checklists A checklist is similar to a questionnaire, but the response sheet contains fewer subjective judgements and tends to be either-yes-or-no variety. Checklists can cover as many as 100 activities and job holders tick only those tasks that are included in their jobs.[13] Preparation of a checklist is a challenging job. The specialists who prepare the list must collect all relevant information about the job concerned. Such information can be obtained by asking supervisors, industrial engineers, and others familiar with the work. When a checklist has been prepared for a job, it is sent to the job holder. The job holder is asked to check all listed tasks that he/she performs and indicate the amount of time spent on each task as well as the training and experience required to be proficient in each task. He/she may also be asked to write any additional tasks he/she performs which is not stated in the checklist. The checklist, thus answered, will be the basis for tabulating job-related data.

One advantage of the checklist method is that it is useful in large firms that have a large number of people assigned to one particular job. Also, this technique is amenable to tabulation and recording on electronic data-processing equipment. The technique, however, is costly and, hence, not suitable for small firms.

Technical Conference Method In this method, services of supervisors who possess extensive knowledge about a job are used. It is from these experts that details about the job are obtained. Here, a conference of supervisors is used. The analyst initiates discussion which provides details about jobs. Though a good method of data collection, this method lacks accuracy because the actual job holders are not involved in collecting information.

Diary Method This method requires the job holders to record in detail their activities each day. If done faithfully, this technique is accurate and eliminates errors caused by memory lapses the job holder makes while answering questionnaires and checklists. This method, however, is time consuming because the recording of tasks may have to be spread over a number of days. It also engages considerable time of a production worker. No wonder, the diary method is not used much in practice.

The methods described above are not to be viewed as mutually exclusive. None of them is universally superior. The best results can be obtained by a combination of these methods.

Quantitative Techniques The methods of collecting job-related data, described above, are used by most employers. But there are occasions where these narrative approaches are not appropriate. For example, where it is desired to assign a quantitative value to each job so that jobs can be compared for pay purposes, a more quantitative approach will be appropriate. The position analysis questionnaire, management position description questionnaire and functional job analysis are the three popular techniques of job analysis.

Position Analysis Questionnaire The Position Analysis Questionnaire (PAQ) is a highly specialised instrument for analysing any job in terms of employee activities. The PAQ contains 194 job elements on which a job is created depending on the degree to which an element (or descriptor) is present. These elements are grouped into six general categories. Exhibit 5.4 describes the categories and given examples of rating scales used to collect information and rate jobs.[14]

Exhibit 5.4 ***Rating Scales used with the PAQ***

There is provision for rating each job on each job element. Six types of rating scales are used, as follows:

Letter Identification	Type of Rating Scale
U	Extent of Use
I	Importance to the job
T	Amount of Time
P	Possibility of Occurrence
A	Applicability
S	Special Code (used in the case of a few specific job elements)

A specific rating scale is designated to be used with each job element, in particular the scale considered most appropriate to the content of the element. All but the "A" (Applicability) scale are 6-point scales, with "0" (which is coded as "N") being used for "Does not apply," as illustrated below:

Rating	Importance to the Job
N	Does not apply
1	Very minor (Importance)
2	Low
3	Average
4	High
5	Extreme

Source: William P. Anthony, et al., *Strategic Human Resource Management*, Dryden Press, 1993, p. 223.

The primary advantage of the PAQ is that it can be used to analyse almost every job. Further, this analysis provides a comparison of a specific job with other job classifications, particularly for selection and remuneration purposes. However, the PAQ needs to be completed by trained job analysts rather than incumbents or supervisors, since the language in the questionnaire is difficult and at a fairly high reading level.

Management Position Description Questionnaire The Management Position Description Questionnaire (MPDQ) is a highly structured questionnaire containing 208 items relating to managerial responsibilities, restrictions, demands and other miscellaneous position characteristics.[15] These 208 items are grouped under the 13 categories as shown in Table 5.4.

The PAQ and MPDQ yield standardised information about the worker and the job.

Functional Job Analysis Functional Job Analysis (FJA) is a worker-oriented job analytical approach which attempts to describe the whole person on the job. The main features of FJA include the following:[16]

1. A fundamental distinction must be made between what has been done and what employees need to do to get the things done. For example, bus crew do not carry passengers, but they drive vehicle and collect fare.
2. Jobs are performed in relation to data, people and things.
3. In relation to things, employees draw on physical resources; in relation to data, employees draw on mental resources; and in relation to people, employees draw on interpersonal resources.
4. All jobs require employees to relate data, people and things to some degree.

Table 5.4 **Management Position Description Questionnaire**

1.	Product, marketing and financial strategy planning.
2.	Co-ordination of other organisational units and personnel.
3.	Internal business control.
4.	Products and services responsibility.
5.	Public and customer relations.
6.	Advanced consulting.
7.	Autonomy of actions.
8.	Approval of financial commitments.
9.	Staff service.
10.	Supervision.
11.	Complexity and stress.
12.	Advanced financial responsibility.
13.	Broad personnel responsibility.

Source: Lloyd L. Byars and Leasile W. Rue, *op. cit.*, p. 92.

5. Although, the behaviour of employees and their tasks can be described in many ways, only a few efinitive functions are involved. For example, while interacting with machines, employees feed, tend, operate, and or set up. Although, each of these functions occurs over a wide range of difficulty and content, each essentially draws on a relatively narrow and specific range of similar kinds and degrees of employee characteristics and qualifications.
6. The levels of difficulty required in dealing with data, people and things are hierarchical and can be represented by an ordinal scale.

Table 5.5 defines the levels of difficulty for various jobs with regard to data, people and things. The lower the number associated with the function, the more difficult the function is. For example, synthesising data (0) is more difficult than compiling data (3). After a job's difficulty has been described using this numerical scheme, the information can be compared to the job elements reported in the Dictionary of Occupation Titles (DOT), which is a standardised data-source describing a wide range of jobs. Once the closest job in the DOT has been located, the accompanying job description can be modified as necessary, to fit the specific job being analysed. Functional job analysis has the advantage of being relatively easy to learn, using a standardised format.

Job Analysis and Total Quality Management (TQM)

Job analysis seems to be inconsistent with total quality management (TQM) which is a *mantra* of management. TQM, in its essence, implies total commitment to quality. The essential features of TQM are:[17]

1. Creation of a common company theme;
2. Creation of customer centric mentality;
3. Improvement becoming part of the job;

Table 5.5 **Levels of Difficulty for Worker Functions in FJA**

Data	*People*	*Things*
0. Sythesising	0. Mentoring	0. Setting up
1. Co-ordinating	1. Negotiating	1. Precision Working
2. Analysing	2. Instructing	2. Operating-controlling
3. Compiling	3. Supervising	3. Driving-operating
4. Computing	4. Diverting	4. Manipulating
5. Copying	5. Persuading	5. Tending
6. Comparing	6. Speaking-signalling	6. Feeding-off bearing
7. Serving	7. Handling	
	8. Taking Instructions-helping	

Source: Lloyd L. Byars and Lesile W. Rue, *op. cit.*, p. 93.

4. Each function to reassess its purpose;
5. Improvement becoming a continuous process;
6. Communications to improve; and
7. Bureaucracy to be reduced.

Each of these principles of TQM calls for a new orientation and a broad perspective on the part of every employee. A data entry operator in an office, for example, can no longer be confined only to typing letters as stipulated by his/her job description. He/she must look beyond his/her job requirement and consider the entire office as his/her area of operation. This logic can be extended to other jobs also. In the TQM dispensation, almost everybody will be required to attend to every task, the ultimate goal being the offer of better quality products or services.

Job analysis is inconsistent with TQM. TQM expects every employee to do everything, while job analysis prescribes definite duties and responsibilities to each employee.

Job analysis, which distinguishes one job from another, seems to be inconsistent with TQM. The job description of a Senior Officer (Direct Materials, Manufacturing Planning and Sales), for example (*see* Exhibit 5.2), talks about planning, inventory control, sales and others. But the description is silent about quality of incoming materials, rejects, scraps, waste disposal, and the like. The officer must be held responsible for quality and scrap of the incoming materials.

It does not mean that job analysis is losing its relevance. TQM or no TQM, job analysis is useful inasmuch as it stipulates the tasks to be performed by the job holder. What needs to be done to maintain job analysis under TQM is to make a job description contain basic tasks of the job, leaving scope for additional duties.

Job Analysis and Strategic HRM

A job analyst needs to be pro-active in describing jobs. In other words, an analyst should not only give descriptions of jobs as they exist in an organisation, he or she should also describe jobs that will exist in the future firms. There is a growing realisation of the need to match human resource activities with an organisation's strategic planning. An important part of this task is the job analyst's ability to write job

specifications that accurately detail the knowledge and skills that will complement the future strategic initiatives of the company. In future, job descriptions will no longer be snapshots of a static entry called a "job". Instead strategic job analysis will have to be capable of capturing both the present and the future.[18]

POTENTIAL PROBLEMS WITH JOB ANALYSIS

Certain problems crop up while conducting job analysis. The major ones are described below:

Support from Top Management In most cases, top management support is missing. The top management should make it clear to all employees that their full and honest participation is extremely important for the process. This message is, often, not communicated.

Single Means and Source This relates to the defect in the process of job analysis. There are many proven methods and sources of collecting data. All too often, analysts rely on only one of the methods when a combination of two methods might provide a better data.

No Training or Motivation This also relates to the defect in the job-analysis process. Job holders are a great source of information about the job. But they are not trained or motivated to generate quality data for job analysis. Further, job holders are rarely made aware of the importance of the data, and are never rewarded for providing accurate data.

Activities may be Distorted Where training and preparedness do not exist, job holders tend to submit distorted data, either intentionally or inadvertently. For example, employees are likely to speed up, if they know they are being watched.

JOB DESIGN

The logical sequence to job analysis is job design. Job analysis, as was explained earlier, provides job-related data as well as the skills and knowledge expected of the incumbent to discharge the job. Job design, then, involves conscious efforts to organise tasks, duties, and responsibilities into a unit of work to achieve certain objectives.[19]

Thus, job design involves three steps:

1. The specification of individual tasks,
2. The specification of the method(s) of performing each task, and
3. The combination of tasks into specific jobs to be assigned to individuals.

Job design involves conscious efforts to organise tasks, duties and responsibilities into a unit of work to achieve certain objectives. Job design follows job analysis.

Steps 1 and 3 determine the content of the job, while Step 2 indicates precisely how the job shall be performed. While designing a job, requirements of the organisation and individual needs of the job holder must be considered. The key to successful job design lies in balancing the requirements of the organisation and the job holder.

Traditionally, the practice in designing job has been simplifying the tasks to be performed. This usually results in making jobs highly specialised. While specialisation has many advantages, it can result in boredom and even degradation of the job holder (also read Exhibit 5.5).

Exhibit 5.5 ***Work Specialisation***

Early in the last century, Henry Ford became rich and famous by building automobiles on an assembly line. Every Ford worker was assigned a specific, repetitive task. For instance, one person would just put on the

right-front wheel and someone else would install the right-front door. By breaking jobs up into small standardised tasks, which could be performed over and over again, Ford was able to produce cars at the rate of one every ten seconds while using employees who had relatively limited skills.

Ford demonstrated that work can be performed more efficiently if employees are allowed to specialise. Today, we use the term, *work specialisation, or division of labour* to describe the degree to which tasks in the organisation are subdivided into separate jobs.

The essence of work specialisation is that, rather than an entire job being done by one individual, it is broken down into a number of steps, each step being completed by a separate individual. In essence, individuals specialise in doing a part of an activity rather than the entire activity.

By the late 1940s, most manufacturing jobs in industrialised countries were being done with high work specialisation. The management saw this as a way to make the most efficient use of its employees' skills. In most organisations, some tasks require highly developed skills; others can be performed by the untrained. If all workers were engaged in each step of, say, an organisation's manufacturing process, all would have to have the skills necessary to perform both—the most demanding and the least demanding jobs. As a result, except when performing the most skilled or highly sophisticated tasks, employees would be working below their skill levels. And since skilled workers are paid more than unskilled workers and their wages tend to reflect their highest level of skill, paying highly skilled workers to do easy tasks represents an inefficient usage of organisational resources.

Managers also looked for other efficiencies that could be achieved through work specialisation. Employee skills at performing a task successfully increase through repetition. Less time is spent in changing tasks, in putting away one's tools and equipment from a prior step in the work process, and in getting ready for another. Equally important, training for specialisation is more efficient from the organisation's perspective. It is easier and less costly to find and train workers to do specific and repetitive tasks. This is especially true of highly sophisticated and complex operations. For example, could Cessna produce one Citation jet a year if one person had to build the entire plane alone? Finally, work specialisation increases efficiency and productivity by encouraging the creation of special inventions and machinery.

For much of the first half of the last century, managers viewed work specialisation as an unending source of increased productivity. And they were probably right. Because specialisation was not widely practised, its introduction almost always generated higher productivity. But by the 1960s, increasing evidence showed that a good thing can be carried too far. The point had been reached in some jobs where the human diseconomies from specialisation—which surface as boredom, fatigue, stress, low productivity, poor quality, increased absenteeism, and high turnover—more than offset the economic advantages.

Source: Stephen P. Robbins, *Organisational Behaviour*, Prentice-Hall of India, 1996, pp. 551–552.

The significance of job design need not be overemphasized. The design of jobs has a critical impact on organisations and employee objectives. From the organisation's perspective, the way tasks and responsibilities are grouped can affect productivity and costs. Jobs that are not satisfying or are too demanding are difficult to fill. Boring jobs may lead to a higher turnover. For an employee, motivation and job satisfaction are affected by the match between job factors (content, qualifications and rewards) and personal needs.[20] Therefore, thoughtful design of jobs can help both the organisation and its employees achieve their objectives.

It is well-known that jobs are more than a collection of tasks recorded on a job-analysis schedule and summarised in a job description. Jobs are the foundation of organisational productivity and employee satisfaction, or lack thereof. How well jobs are designed will play an increasingly important role in the success, even survival, of any firm during the next millennium. As the number of new workers coming into the labour market slows and the international competition increases, well-designed jobs will become even more important in attracting and retaining a motivated workforce, which is capable of producing high-quality products and services.[21] (Read also Exhibit 5.6)

Exhibit 5.6 ***Job Design Around the World***

Many contemporary breakthroughs and innovations to job design were developed and pioneered abroad. As far back as 1951, for example, researchers at the London Tavistock Institute conducted important pioneering studies of jobs in the coal-mining industry in England. They examined a wide variety of work arrangements and found the fact that flexibility in the manner in which jobs were performed improved interpersonal relationships among employees could be a critical part of organisational effectiveness. Another research, conducted in textile units in India, focussed on the relationship between people and technology. The findings led managers to better appreciate the importance of both technical systems and social systems in organisations.

But, perhaps, the most ambitious experiment in job design took place in Sweden. In, the early 1970s, Volvo was planning to build a new assembly plant near the town of Kalmar. In designing the new factory, the firm's managers decided to see if they could change the traditional approach to jobs in the automobile industry to offset many of the negative factors associated with traditional assembly-linework. They constructed the entire facility to promote a better job design and a more pleasant work environment for Volvo employees. For example, each worker was assigned a space that felt like a small workshop rather than a large factory. Natural lighting was emphasised, and each bay had a separate lounge and rest facilities for the workers assigned there.

Instead of using a traditional assembly line, the firm installed computer-guided trolleys that rolled along the floor. The workers moved around the trolleys to perform their tasks rather than standing stationery, while the car moved past them. This gave them the flexibility to move the trolley off the line when a serious problem arose with the car on that particular trolley. Thus, the problem could be attended to without slowing down the entire line.

While construction costs in the factory are about 10 per cent more than a traditional automobile plant, Volvo management believed that improvements in the quality of both work life and products that resulted, compensated for at least some of the additional costs.

Source: Moorhead and Griffin, *Organisational Behaviour*, p. 176.

On the flip side, it may be stated that poorly designed jobs may lead to lower productivity, employee turnover, absenteeism, complaints, sabotage, unionisation, resignations and other problems.

FACTORS AFFECTING JOB DESIGN

Job design is affected by organisational, environmental, and behavioural factors. A properly designed job will make it productive and satisfying. If a job fails on this count, the fault lies with the job designers who, based on the feedback, must redesign the job (*see* Fig. 5.5). We now propose to elaborate the various factors affecting job design. Figure 5.5 probably fails to capture the considerations that motivate Sudhir, Joe, Ming Mei and Jonelle to work on extreme jobs (see Opening Case).

Organisational Factors

Organisational factors include characteristics of task, work flow, ergonomics, and work practices.

Characteristics of Task Job design requires the assembly of a number of tasks into a job or a group of jobs. An individual may carry out one main task which consists of a number of interrelated elements or functions. On the other hand, task functions may be split between a team working closely together or strung along an assembly line. In more complex jobs, individuals may carry out a variety of connected tasks, each with a number of functions, or these tasks may be allocated to a group of workers or divided between them.

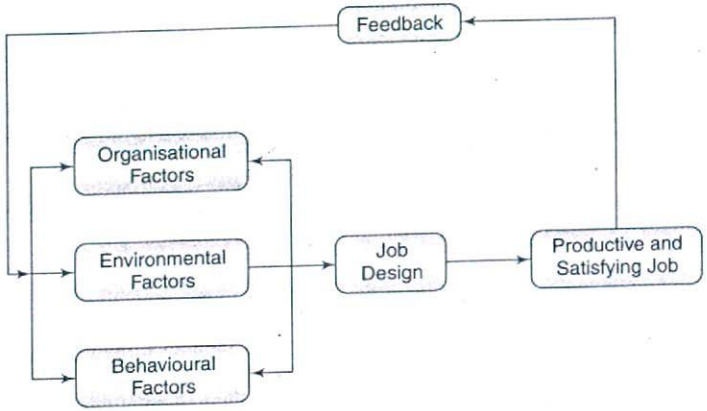


Fig. 5.5 Factors Affecting Job Design

Source: Adapted from *Human Resources and Personnel Management* by William B. Werther and Keith Davis, p. 147.

Complexity in a job may be a reflection of the number and variety of tasks to be carried out, or the range and scope of the decisions that have to be made, or the difficulty of predicting the outcome of decisions.

The internal structure of each task consists of three elements: (i) *planning* (deciding the course of action, timing and the resources required), (ii) *executing* (carrying out the plan), and (iii) *controlling* (monitoring performance and taking corrective action when required). A completely integrated job will include all these elements for each of the tasks involved. The worker (or group of workers) having been given objectives in terms of output, quality and cost targets, decides on how the work is to be done, assembles the resources, performs the work, and monitors output, quality and cost standards. Responsibility in a job is measured by the amount of authority someone has to put to do all these things.[22] The ideal job design is to integrate all the three elements.

Work Flow The flow of work in a firm is strongly influenced by the nature of the product or service. The product or service usually suggests the sequence and balance between jobs if the work is to be done efficiently. For example, the frame of a car must be built before the fenders, and the doors can be added later.[23] After the sequence of jobs is determined, the balance between jobs is established.

Ergonomics Ergonomics is concerned with designing and shaping jobs to fit the physical abilities and characteristics of individuals so that they can perform their jobs effectively.[24] Ergonomics helps employers to design jobs in such a way that workers' physical abilities and job demands are balanced. Ergonomics does not alter the nature of job tasks but the location of tools, switches and other facilities, keeping in view that the handling the job is the primary consideration.

Ergonomics is concerned with designing and shaping jobs to fit the physical abilities and characteristics of employees. Nature of jobs remains the same but the location of tools, switches and other facilities is changed to make the jobholder feel comfortable.

Work Practices Work practices are set ways of performing wosrk. These methods may arise from tradition or the collective wishes of employees. Either way, the HR department's flexibility to design jobs is limited, especially when such practices are part of a union-management relationship. Failure to consider work practices can have undesirable outcomes.[25]

Work practices were, till now, determined by time and motion study which determined the standard time needed to complete a given job. The study required repeated observations. The accuracy of the readings depended on the competence of the engineer. Deviations from

the normal work-cycle caused distortions in measurement, was biased towards existing work practices with little effort at methods' improvement, and could be carried out only when production was underway.

A new technique has now emerged, which if introduced, could drastically alter the work practices in industrial undertakings. Called Maynard Operating Sequence Technique (MOST), the technique uses a standard formula to list the motion sequences ascribed in index values. There will be resistance from the workers to the introduction of MOST, but the benefits from the technique should help cope with the opposition.

Environmental Factors

Environmental elements affect all activities of HRM, and job design is no exception. The external factors that have a bearing on job design are employee abilities and availability, and social and cultural expectations.

Employee Abilities and Availability Efficiency consideration must be balanced against the abilities and availability of the people who are to do the work. When Henry Ford made use of the assembly line, for example, he was aware that most potential workers lacked any automobile-making experience. So jobs were designed simple and required little training. Therefore, considerable thought must be given as to who will actually do the work.[26]

Social and Cultural Expectations There were days when getting a job was the primary consideration. The worker was prepared to work on any job and under any working conditions. Not any more. Literacy, knowledge and awareness among workers have improved considerably, so also their expectations from jobs. Hence jobs must be designed to meet the expectations of workers.

? Pause and Ponder

List the expectations of each of the following jobs:

(i) A programmer
(ii) Receptionist
(iii) Executive Assistant
(iv) Sales Rep.

When designing jobs for international operations, uniform designs are almost certain to neglect national and cultural differences. Hours of work, holidays, vacations, rest breaks, religious beliefs, management styles, and worker sophistication and attitudes are just some of the predictable differences that can affect the design of jobs across international borders. Failure to consider these social expectations can create dissatisfaction, low motivation, hard-to-fill job openings and a low quality of work life, especially when foreign nationals are involved in the home country or overseas.[27]

Behavioural Elements

Behavioural factors have to do with human needs and the necessity to satisfy them. Higher-level needs are more significant in this context. Individuals inspired by higher-level needs find jobs challenging and satisfying which are high on the following dimensions:

Feedback Individuals need to receive meaningful feedback about their performance, preferably by evaluating their own performance and defining the feedback. This implies that they need to ideally work on a complete product or on a significant part of it.

Autonomy Autonomy is being responsible for what one does. It is the freedom to control one's responses to the environment. Jobs that give workers authority to make decisions will provide added responsibilities, which tend to increase the employee's sense of recognition and self-esteem.[28] The absence of autonomy, on the other hand, can cause employee apathy or poor performance.

Use of Abilities The job must be perceived by individuals as requiring them to use abilities they value in order to perform the job effectively.

Variety Lack of variety may cause boredom. Boredom, in turn, leads to fatigue and fatigue causes mistakes. By injecting variety into jobs, personnel specialists can reduce errors caused by fatigue.[29]

JOB DESIGN APPROACHES

Five popular approaches to job design are job rotation, job engineering, job enlargement, job enrichment and socio-technical systems.All these are explained in the subsequent paragraphs (see Fig. 5.6).

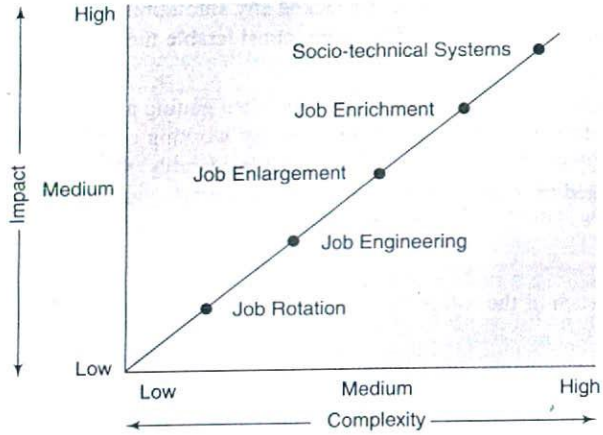


Fig. 5.6 Comparision of Five Job Design Approaches

Figure 5.6 has two dimensions—**impact** and **complexity**. The impact dimension, on the vertical axis, is the degree to which a job design approach is linked with factors beyond the immediate job, such as reward systems, performance appraisal methods, leadership, customer needs, organisation design, working conditions, and team composition and norms. The complexity dimension, on the horizontal axis, is the degree to which a job design approach requires: (i) the involvement of individuals with diverse competencies at various organisational levels; and (ii) high level of decision-making competency for successful implementation.

Job Rotation Job rotation refers to moving employees from job to job to add variety and reduce boredom by allowing them to perform a variety of tasks. When an activity is no longer challenging, the employee would be moved to another job at the same level that has similar skill requirements. It reduces boredom and disinterest through diversifying the employee's activities. Employees with a wider range of skills give the management more flexibility in scheduling work, adapting to changes and

Jobs rotation involves moving employees from job to job to add variety and reduce boredom.

filling vacancies. Job rotation also has its drawbacks. Training costs are increased, work is disrupted as rotated employees take time to adjust to a new set-up, and it can demotivate intelligent and ambitious trainees who seek specific responsibilities in their chosen speciality.[30] According to Herzberg, job rotation is merely "substituting one zero for another zero". Figure 5.7 illustrates job rotation more clearly.

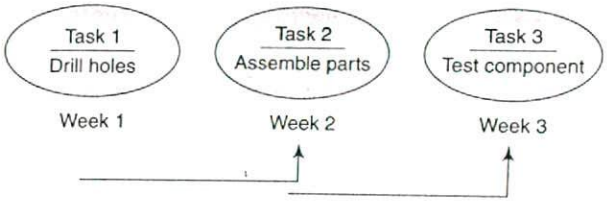


Fig. 5.7 An Example of Job Rotation

(*Source:* Based on *Human Resource Management* by John Bratton and Jeffrey Gold, p. 122)

Job Engineering Job engineering focuses on the tasks to be performed, methods to be used, workflows among employees, layout of the workplace, performance standards, and interdependencies among people and machines. Experts often examine these job design factors by means of time-and-motion studies, determining the time required to do each task and the movements needed to perform it efficiently.

Specialisation of labour is the hallmark of job engineering. High level of specialisation is intended to (a) allow employees to learn a task rapidly; (b) permit short work cycles so that performance can be almost automatic and involve little or no mental effort; (c) make hiring easier because low-skilled people can be easily trained and paid relatively low wages; and (d) reduce the need for supervision, using simplified jobs and standardisation.

Although job engineering can also create boring jobs, it remains an important job design approach because the resulting cost savings can be measured immediately and easily.

This approach continues to be successfully used, particularly when it is combined with a concern for the social context in which the jobs are performed. Job engineering may be used with success, subject to the following golden rules of work design being ensured:

- The end product/output of the work is clearly defined and fully understood by the employees.
- The steps/tasks to be performed to achieve the required end product/output are clearly defined in the appropriate sequence.
- The employees know and understand where their responsibility starts and finishes in the work process.
- The tools, facilities and information needed to perform the work are readily available and fully understood by the employees.
- There is a process whereby the employees can suggest possible improvements in the work design and exercise initiative in implementing them.
- The employees are involved in the work design process.

Job Enlargement Job enlargement refers to the expansion of the number of different tasks performed by an employee in a single job. For example, an auto mechanic undergoes job enlargement when he switches from only changing oil to changing oil, greasing and changing transmission fluid. Job enlargement attempts to add somewhat similar tasks to the existing job so that it has more variety and be more interesting See Fig. 5.8).

The job enlargement approach to job design has been criticised as well as appreciated.

An enlarged job can motivate an individual for five reasons:

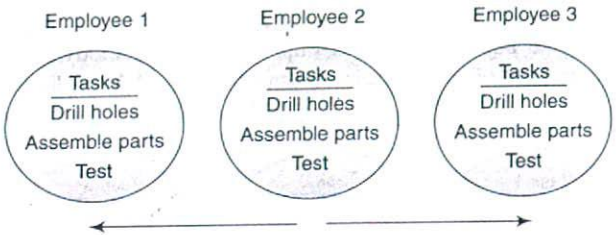


Fig. 5.8 An Example of Job Enlargement

(*Source:* Based on *Human Resource Management* by John Bratton and Jeffrey Gold, p. 123)

(a) *Task Variety* Highly fragmented jobs requiring a limited number of unchanging responses tend to be extremely monotonous. Increasing the number of tasks to be performed can reduce the level of boredom.

(b) *Meaningful Work Modules* Frequently, jobs are enlarged so that one worker completes a whole unit of work, or at least a major portion of it. This tends to increase satisfaction by allowing workers to appreciate their contribution to the entire project or product.

(c) *Ability Utilisation* Workers derive greater satisfaction from jobs that utilise their physical and mental skills and abilities better. Enlarged jobs tend to fulfill this condition. However, management must be careful not to enlarge jobs too much, because jobs that require more skills and ability than the worker possesses lead to frustration and present obstacles to task accomplishment. Enlarged jobs with optimal levels of complexity, on the other hand, create tasks that are challenging but attainable.

(d) *Worker-paced Control* Job enlargement schemes often move a worker from a machine-paced production line to a job in which the worker paces himself/herself. Workers feel less fatigued and are likely to enjoy their work more if they can vary the rhythm and work at their own pace.

(e) *Performance Feedback* Workers performing narrow jobs with short performance cycles repeat the same set of motions endlessly, without a meaningful end point. As a result, it is difficult to count the number of completed performance cycles. Even if they are counted the feedback tends to be meaningless. Enlarged jobs allow for more meaningful feedback and can be particularly motivating if they are linked to evaluation and organisational rewards.

Although the benefits of job enlargement are several, certain disadvantages cannot be ignored. First, training costs tend to rise. Workers may require additional training for their new, enlarged tasks. Besides, if the job enlargement programme involves breaking up of the existing production line of work systems, redesigning a new system, and training employees to adjust to it, the costs can be substantial. Moreover, productivity may fall during the introduction of a new system. Another drawback is that unions often argue for increased pay because of the increased workload. Finally, even after enlargement many jobs may still be routine and boring. Frederick Herzberg was right when he said that job enlargement is simply "adding zero to zero", meaning that one set of boring tasks (zero) is simply added to another set of boring tasks (zero).

Job enrichment involves adding more motivators to a job to make it more rewarding. Job becomes enriched when it gives job-holder more decision-making, planning and controlling powers.

Job Enrichment First coined by Herzberg in his famous research with motivators and maintenance factors, job enrichment has become a popular concept. It simply means adding a few more motivators to a job to make it more rewarding. To be specific, a job is enriched when the nature of the job is exciting, challenging and creative, or gives the job holder more decision-making, planning and controlling powers.[31] (See Fig. 5.9)

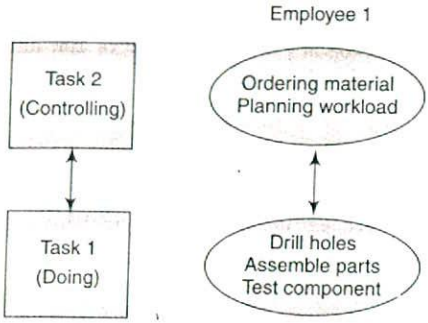


Fig. 5.9 An Example of Job Enrichments

(*Source:* Based on *Human Resource Management* by John Bratton and Jeffrey Gold, p. 123)

According to Herzberg, an enriched job has eight characteristics. These features are discussed below and illustrated in Fig. 5.10.

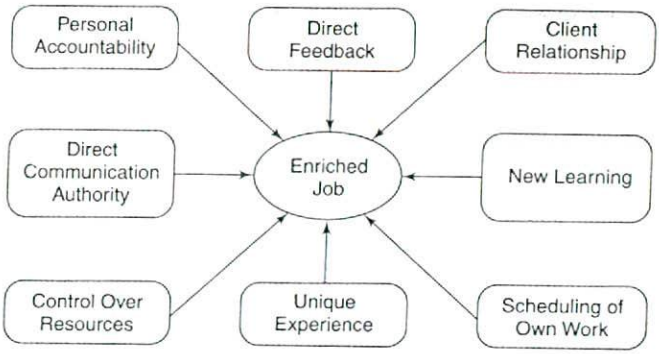


Fig. 5.10 Characteristics of an Enriched Job

(a) *Direct Feedback* Employees should be able to get immediate knowledge of the results they are achieving. The evaluation of performance can be built into the job (as in an electronic spell-checker indicating the presence or absence of errors) or provided by a supervisor.

(b) *Client Relationship* An employee who serves a client or customer directly has an enriched job. The client can be outside the firm (such as a mechanic dealing with a car owner) or inside (such as a computer operator executing a job for another department).

(c) *New Learning* An enriched job allows its incumbent to feel that he is growing intellectually. An assistant who clips relevant newspaper articles for his or her boss is, therefore, doing an enriched job.

(d) *Scheduling Own Work* Freedom to schedule one's own work contributes to enrichment. Deciding when to tackle which assignment is an example of self-scheduling. Employees who perform creative work have more opportunity to schedule their assignments than those who perform routine jobs.

(e) *Unique Experience* An enriched job has some unique qualities or features, such as a quality controller visiting a supplier.

(f) *Control Over Resources* One approach to job enrichment is for each employee to have control over his or her resources and expenses. For example, he or she must have the authority to order supplies necessary for completing his job.

(g) *Direct Communication Authority* An enriched job allows the worker to communicate directly with people who use his or her output, such as a quality assurance manager handling a customer's complaints about quality.

(h) *Personal Accountability* An enriched job holds the incumbent responsible for the results. He or she receives praise for good work and blame for poor work.

Being a direct outgrowth of Herzberg's two factor theory of motivation, job enrichment is a valuable motivational technique. For example, lab technician in the health department of a state government experiences frustration after 20 years of working in the same capacity. The only regular work he does, on every working day, is to sign the attendance register at 10 am. The frustration of such employees can be remedied by enriching their jobs.

A few studies conducted in the United States have also demonstrated the usefulness of job enrichment as a motivator. For example, a study of AT&T's clerical and other telephone company employees showed a positive improvement in job performance and satisfaction after job enrichment. Another study with technicians, engineers and sales representatives also showed similar results.[32]

Job enrichment seeks to improve both task efficiency and human satisfaction by building into people's jobs, quite specifically, greater scope for personal achievement and recognition, more challenging and responsible work, and more opportunity for individual advancement and growth.[33] An enriched job will have more responsibility and autonomy (vertical enrichment), more variety of tasks (horizontal enrichment), and more growth opportunities. The employee does more planning and controlling with less supervision but more self-evaluation. In other words, what the supervisor has been doing till now (planning, instructing, controlling and supervising) will now be done by the worker.

As with other techniques of job design, job enrichment has both positive and negative features. On the plus side, it may be stated that job enrichment benefits employees and organisations in terms of increased motivation, performance, satisfaction, job involvement and reduced absenteeism. *Secondly*, as Fig. 5.11 shows, the additional features which go into an enriched job shall meet certain psychological needs of job

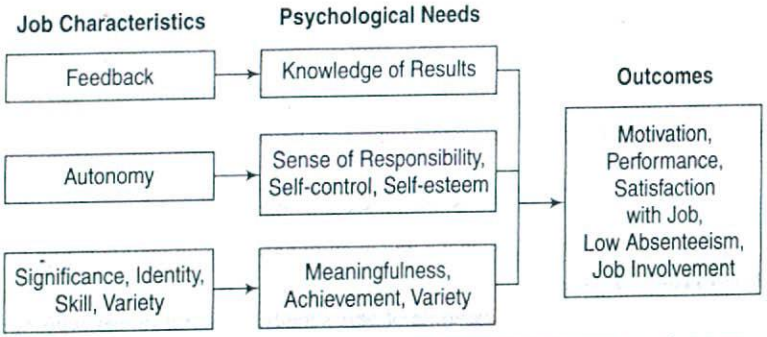


Fig. 5.11 Job Enrichment and its Outcomes

Source: Adapted from R.J. Hackman and G.R. Oldham, *Work Redesign*, p. 77.

holders. For example, the more the skill variety, identity, and significance a job has, the more meaning, sense of achievement and variety the employee will experience. Similarly, the more autonomy there is in a task, the greater will be the employee's sense of responsibility, self-control and self-esteem. And the more intrinsic feedback in the task, the more knowledge of results the employee will have. The more the psychological needs of employees are satisfied, greater will be the job outcomes. *Thirdly*, it may be stated that work is an important part of one's life. Work-related issues dominate one's behaviour wherever he/she is. Job enrichment, which adds status to one's job, is naturally a strong motivating and satisfying factor in his/her life. *Fourthly*, job enrichment efforts help stimulate improvements in other areas of the organisation. Successful changes involving job-enrichment efforts suggest that HR managers can consider both work and workers as variables in developing a more effective organisation.[34] This is in sharp contrast to personnel practices of the past where jobs were taken as constraints.

Finally, the concept of *empowerment* is a by-product of job enrichment. Empowering means passing on authority and responsibility. Empowerment occurs when power goes to employees who, then, experience a sense of ownership and control over their jobs.[35] Job enrichment demands delegation of accountability and hence the need for empowerment. Titan Watches, Asea Brown Boveri (ABB), Tata Information Systems, GE Plastics India and Philips are empowering their employees with telling effect. *Finally*, Frederick Herzberg's renewed faith in job enrichment testifies to its importance. In his seminal article *One more time: How do you motivate employees* strongly recommends 'vertical job-loading factors' essential for motivating employees. (The article which appeared first in 1968 was re-published in 1987 showing the relevance of job enrichment and Herzberg's commitment to the approach.)

Some Cautions about Job Enrichment Since job enrichment has been so well publicised in recent years as a method of increasing worker motivation, one can easily be misled by its possibilities. Although job enrichment can cause increased employee motivation, there are some other factors that should be considered.

(i) Job Enrichment is Not a Substitute for Good Management Regardless of how enriched jobs might be in an organisation, if other environmental factors in the organisation are not adequate, job enrichment will have little or no effect. Job enrichment is not a substitute for good supervisory practices, wages and company policies.

(ii) 'Enriched' is a Relative Term As a general rule, job enrichment presupposes that jobs with little responsibility should be improved to provide more responsibility for the incumbent. However, we must remember that describing a job as one with 'little responsibility' carries an implicit assumption about the person occupying that role. While the job may appear to be boring to the observer, the person actually performing the job may find it quite challenging.

(iii) Enriching Jobs may Create a 'Snow Ball' Effect Given that organisations have a fixed amount of authority to distribute among the members, enriching one person's job may mean taking authority away from another (most likely the managers). This not only presents system's design problems (for example, rewriting job description), but it can also present a practical barrier since labour unions may resist a scheme that eliminates jobs.

(iv) Job Enrichment Assumes that Workers Want More Responsibility Clearly if we take the extreme case of a worker who is motivated by lack of responsibility, then job enrichment for this person would be a disaster. For workers who, for a variety of reasons, are satisfied with their current level of responsibility, job enrichment may cause more problems than it cures.

(v) *Job Enrichment may have Negative Short-run Effects* For a short time after an increase in job responsibility it is not unusual for organisations to experience a drop in productivity, as workers become accustomed to the work systems. After this initial drop; however, there will be increased productivity.

(vi) *Job Enrichment may Become Static* People become bored in their jobs because their capacity to make decisions is not fully utilised. Even though the job is changed to utilise this capacity, there is ample evidence to suggest that personal capacity is a dynamic and developing attribute. It is likely, therefore, that after a period of time (the exact amount varies from person to person) the worker will outgrow the enriched job. If this occurs, additional enrichment will be a required to fully utilise the individual's increased capacity. If jobs cannot be changed to use this capacity, the workers could be transferred to another job at a higher level of work (promoted).

(vii) *Participation can Affect the Enrichment Process* Herzberg originally recommended that workers should not to be involved in the enrichment process. His logic was that workers are often conditioned to see their jobs in terms of 'hygiene' factors and are unable to respond to the job content. No doubt this is a factor that management must consider in the participation process, but participation can have a positive effect.

(viii) *Change is Difficult to Implement* As is well known, any change is resisted and this applies to job enrichment also. In fact, the job enrichment theory is a paradox. On one hand we have a theory telling us that changing jobs by increasing the level of responsibility will result in increased motivation. On the other hand, our knowledge about changing processes tells us that this type of change is one of the most difficult things to implement in a work situation. The initiation of a job enrichment programme must take this factor into account. In other words, do not expect employees to jump with joy at the announcement of a job enrichment programme.

Socio-technical Systems The socio-technical systems approach focuses on organisations as being made up of people with various competencies (the social systems) who use tools, machines and techniques (the technical system) to create goods or services valued by customers and other stakeholders. Thus, the social and technical systems need to be designed with respect to one another and to the demands of customers, suppliers and other stakeholders in the external environment. Because of their impact, socio-technical systems are complex and influence the way work is performed throughout the organisation. All firms are socio-technical systems, but they seldom reflect the principles underlying this approach.

Ergonomics Ergonomics is another approach to job design but it is not shown in Fig. 5.6. Ergonomics focuses on minimising the physical demands and risks of work. This approach helps ensure that job demands are consistent with people's physical capabilities to perform them with least risk. It involves the design of aids (ranging from computer software to instruments) used to perform tasks. Where jobs are well designed (through ergonomics), workers report less physical effort and fatigue, fewer aches and pains, and hence fewer health complaints. The likelihood of accidents is reduced and employees have more favourable attitudes towards their work and experience job satisfaction. But on the cost side, equipment investments are high and training requirements tend to increase.

Ergonomics has become more relevant now because employees stay in the work-force longer, and jobs are altered to meet their changing physical needs. Its relevance is also felt more now because of the need to accommodate individuals with physical disabilities (eg., impaired hearing or loss of mobility in the limbs).

? Pause and Ponder

How do you enrich each of these jobs?

(i) Sanitation Worker
(ii) Security Guard
(iii) Lab Assistant
(iv) School Teacher
(v) Receptionist

CONTEMPORARY ISSUES IN JOB DESIGN

A number of contemporary issues in the design of work have emerged in the recent past. The issues include telecommuting, alternative work pattern, technostress, task revision, knowledge work and BPRE. Firms use these approaches to the design of work as ways to manage growing business, while contributing to a better balance of work and family life of employees.

Telecommuting One of the recent changes and potentially the most far-reaching is telecommuting. Two of every three Fortune 500 companies now use telecommuting. It is the use of microcomputers, networks and other communication technology such as fax machines to do work from home, which was traditionally done in the workplace. The employee has no contact with other employees, but is able to communicate with them using electronic means. A variant of telecommuting is the *virtual office*, where employees are in the field selling or serving customers. They will not have seen or be seen by a boss, as is the case with sales-force of HUL. For sales people of HUL, village roadsides are offices. Periodically they keep e-mailing or faxing how many crates of tooth paste or soaps they have sold.

Telecommuting refers to the use of microcomputers, networks and other communication technology such as fax machines to do work from home, which was traditionally done in the workplace.

Telecommuting is a rapidly growing alternative to the traditional office-bound work style. Significant benefits are being reported from telecommuting. By supplementing its traditional offices, AT&T for example, has saved $550 million by eliminating officers no more required, consolidating others and reducing related overhead costs.[36]

However, there are problems associated with telecommuting. These include the loss of creativity, as employees are not interacting with other employees on a regular basis, the difficulty of developing appraisal systems to appraise teleworkers, and the need to formulate an appropriate technology strategy for allocating the necessary equipment.

Alternative Work Pattern Job sharing is an example of alternative work pattern. It involves two people sharing a full-time job. It can be implemented in several ways:

- Each working a half-day, five days a week.
- Each working two or three full days a week
- Each working every other week
- Each working alternate months or seasons

Companies that use job sharing are primarily in the legal, advertising and financial services sectors.

One advantage of job sharing is that it enables a firm to retain valued employees who, for personal reasons, no longer want to work full-time. The problem of maternity leave can almost be eliminated. It is also suited to the needs of older employees who want to phase into retirement by shortening their working days. Job sharing can also limit lay offs during hard economic times. Absenteeism is much less as employees can avoid the leisure time during the week to attend to their personal needs.

However, job sharing goes against the concept of employer-employee relationship. Traditionally, a single job is held by one employee and it sounds rather strange that one post is shared by two individuals. Assuming it is in place, the employer faces the problem of pro-rating remuneration and administering benefits between two part-time employees.

Technostress is caused by new and advancing technologies, particularly by information technology. For example, the widespread use of electronic bulleting boards as a forum for rumours of layoffs may cause feelings of uncertainty and anxiety.

Technostress Technostress is stress caused by new and advancing technologies in the workplace, mostly by information technology. For example, the widespread use of electronic bulleting boards as a forum for rumours of layoffs may cause feelings of uncertainty and anxiety. However, the same boards can be an important source of information for workers.

Advanced information technologies enable organisations to monitor emplcyee performance, even when the worker is not aware of such arrangement. These new technologies also allow organisations to tie pay to performance because performance is electronically monitored.

Task Revision A new concept in the design of work is task revision. Task revision is an innovative way to modify an incorrectly specified role or job. Task revision assumes that organisational roles and job expectations may have been correctly or incorrectly defined. Where the role is correctly defined, behaviour of the employee fits the role and performance tends to be high. Performance suffers because of deviant behaviours which result from incorrectly defined jobs. Task revision helps correct such incorrectly defined jobs.[37]

Knowledge Work The emergence of knowledge work has transformed the ways of designing works. As of now, work is no longer about the mass production of tangible commodities but is concerned with the firm's intangible assets—human brains. The nature of knowledge work is fundamentally different from what we have traditionally associated with the 'machine age' and mass production and marketing. Table 5.6 brings out the distinction between the traditional work and knowledge work.[38]

Table 5.6 **The Nature of Traditional Work and Knowledge Work**

	Traditional work	*Knowledge work*
Locus of work	Around individuals	In groups and projects
Focus of work	Tasks, objectives, performance	Customers, problems, issues
Skill obsolescence	Gradual	Rapid
Skill/knowledge sets	Narrow and often functional	Specialised and deep, but often with diffuse peripheral focuses
Activity/feedback cycles	Primary and of an immediate nature	Lengthy from a business perspective
Performance measures	Task deliverables Little (as planned), but regular and dependable	Process effectiveness Potentially great, but often erratic
Employee's loyalty	To organisation and his or her career systems	To professions, networks and peers
Impact on company success	Many small contributions that support the master plan	A few major contributions of strategic and long-term importance

(*Source:* Table 5.6 has been taken from *Human Resource Management* by John Bratton and Jeffrey Gold, p. 132).

The shift from traditional work to knowledge work has led managers to change strategies, patterns of interaction, roles of individuals, HR practices and organisational structures.[39] (Also see Exhibit 5.7)

Exhibit 5.7 ***Now, a Rainbow Coalition of Workers***

The rapid economic growth and the emergence of a global services industry in India is having a huge impact on the working population. The colours and contours of their lives are changing at a very rapid pace.

A decade ago, it was easy to classify the industrial workers into blue or white collar workers. These categories were determined on the basis of salary, union membership, working hours, working conditions and the nature of work.

A blue-collar worker had fixed rights of employment, was allowed to be a union member, paid on an hourly basis, the work was on the shop floor and the work was menial in nature with little need for intellect.

Typically, a white-collar worker had "flexible" rights of employment, meaning he could be sacked easily, had no union membership, was paid on a weekly or usually on a monthly basis, and worked in an office.

Today, these definitions are disintegrating because of the growing complexity of the economy which has added many more layers to the workforce. HR officials call them violet, indigo, yellow and red collar workforce.

The violet-collar workers are closer to the traditional blue-collar workers in that they work in shifts. There are signs of unionism evolving among them. While the work is in an office environment, it is monotonous and does not need high skills or intellect. These are the entry-level of the voice-based BPO workers.

Vikram Bhardwaj of search firm Redileon says: "A direct fallout of the fact that the violet-collar workers do not have unions is that they lack a sense of belonging to the firm. These workers have no bonding with the company, unlike blue-collared unionised workers, for whom the firm is the raison-d'etre."

The indigo-collar workers have moved away from unions, but work on a highly automated shop floor and are highly skilled. They handle automated CNC machines and have control over the flow of inventory and data on the shop floor. They still do a lot of mental work though they get salaries that are better than the blue-collar workers.

Then there are yellow-collar workers. They are highly educated, personality A-type workers, who are in the mid or top rung of the workforce. They sometimes need to work for very long hours and have very little rights when it comes to employment, which means they can be fired anytime. They work during office hours but work often spills over to home and even vacation. They can be identified by their pale yellow complexion as they spend more time under the fluorescent light than under the sun all through their working life. They start for office when it is dark and leave for home when it is late in the evening.

Such sectors as investment banking, fund management, research and development have a higher level of yellow-collar workers. Companies like to recognise and sometimes pamper these workers. They are typically on fast-track programmes in the company. Milind Jadhav, HR head at Patni Computers says, "A typical profile of these workers is high performers with 5-10 years of experience, who need to be groomed directly by the senior management."

Finally, there are the red-collar workers. These workers really stand out in most organisations partly because they think they are special. They do not like to be put into categories and normal working etiquette. It is not necessary for these workers to be doing traditional creative work or holding a title like designer. If their work involves a larger portion of ideation, it can be termed creative. In short, they have an attitude.

For instance, the person could be involved in building a user interface for an IT application or a framework for a database or designing icons for a computer. Of course, traditional workers in advertising agencies, production houses, newspapers or other such organisations can certainly claim the red collar even though not all of them would be involved in creative work. Some may be in a managerial job involving taking care of other creative workers.

Red collar workers have the distinction of not having any "fixed" working hours which ironically means they work longer hours than any other group of workers. The long hours at work is sometimes seen by the management as inefficient, very representative of the chaotic or creative way of functioning for these red-collar workers.

In spite of the increased layering of the workforce, corporates are still colour-blind, interestingly, some traditional manufacturing companies in auto and auto-component industries have realised the blurring of the lines between blue and white collar workers. But companies in IT, ITES, BPO, pharmaceutical and even media are still not able to distinguish the colours of their workers.

Lionbridge Technologies is a BPO services company which has a fairly large workforce doing translation and development of visual interfaces. The company employs creative red-collar workers.

Deepak Deshpande, HR head of Lionbridge India, says, "We don't distinguish much between the IT development guys and creative guys as this might send a wrong message of discrimination among the workforce. But we do compensate high skill workers with special bonus or incentives."

Monisha Advani of Emmay HR says, "Quite honestly, colour-coding collars is a welcome initiative as from an HR perspective, it gives an organisation the ability to further customise its policies, procedures and benefits to suit different collars rather than imposing a genetic set on all." She adds: "This would automatically lead to better retention as a tailor made approach will meet a larger group of employees' expectations. It would help in comparing and compensating or changing working conditions depending upon the temperament of workers."

Source: K.Yatish Rajawat, "Now, a Rainbow Coalition of Workers," *The Economic Times,* dated Oct. 3, 2005

Business Process Re-engineering (BPRE)

One major development in organisational design in the recent past is BPRE. The BPRE management declares that organisational structure and the way in which work is structured need to be radically changed so that the re-engineered company can become adaptable and oriented towards continuous change and renewal. Table 5.7 shows how a reengineered firm looks different from the traditional one. For example, market for a reengineered company is global, its competitive advantage is derived from speed and quality, information is its major resource, customer satisfaction is the focal point and control is decentralised.[40]

Table 5.7 **The Re-engineered Organization**

Characteristic	*Traditional model*	*Re-engineered model*
Market	Domestic	Global
Competitive advantage	Cost	Speed and quality
Resources	Capital	Information
Quality	What is affordable	No compromise
Focal point	Profit	Customer
Structural design	Hierarchical	Flattened
Control	Centralised	De-centralised
Leadership	Autocratic	Shared
Labour	Homogeneous	Culturally diverse
Organization of work	Specialized and individual	Flexible and in teams
Communications	Vertical	Horizontal

(*Source:* Table 5.7 has been taken from *Human Resource Management* by John Bratton and Jeffrey Gold, p.137).

Essentially, BPRE is customer driven and that makes the movement highly acceptable to firms.

? Pause and Ponder

Can re-engineered jobs be answers to extreme jobs? Debate.

SUMMARY

Job analysis is the process of collecting job-related data. The data, thus collected, will be useful for preparing job description and job specification. Job description lists job title, duties, machines and equipment involved, working conditions surrounding a job, and the like. Job specification lists the human qualities and qualifications necessary to do the job.

Job analysis is a four-step sequential process. The steps involved are—**(i)** select jobs for analysis, **(ii)** gather information, process information, **(iii)** job description and **(iv)** job specification.

Job analysis is useful for HRP, recruitment and selection, training and development, job evaluation, remuneration, performance appraisal, personnel information, and safety and health programmes.

Coming to the methods of job analysis, we have **(i)** observation method, **(ii)** interview, **(iii)** ques- tionnaire, **(iv)** checklists, **(v)** technical conference, and **(vi)** diary method. A combination of these methods is used depending upon the situation and the organisation.

Job analysis seems to be inconsistent with total quality management (TQM).

A logical sequence to job analysis is job design which is nothing but organisation of tasks, duties, and responsibilities into a unit of work.

Job design affects employee productivity, motivation and satisfaction. Hence, care must be exercised in designing jobs.

Organisational, environmental, and behavioural factors affect job design.

Work simplification, job rotation, job enlargement, job enrichment, autonomous group working, and high-performance work design are the popular techniques of job design.

KEY TERMS

Autonomy
De-Jobbing
Empowerment
Ergonomics
High-performance work design
Job analysis
Job design
Job description
Job evaluation
Job enlargement
Job enrichment
Job rotation
Job specification
Technical conference
TQM
Telecommuting
Technostress

REVIEW QUESTIONS

1. Define job analysis. What are its uses?
2. What do you mean by job analysis? Explain the process of job analysis?

3. Give the meaning and techniques of job design.
4. Bring out the factors affecting job design.
5. From an HR manager's point of view what are the uses of job analysis?

DISCUSSION QUESTIONS

1. Why do you think that job analysis and TQM are inconsistent?
2. Discuss the sources of error that can distort or render job-analysis information inaccurate.
3. What are the differences among job rotation, job enlargement, and job enrichment?
4. An individual hired for a position finds out that the work he was asked to do was not the work he was hired to do. Is it possible? Discuss.
5. "Smaller organisations do not need job analysis for their jobs because most of their employees conduct a myriad of activities, too far-reaching for a standard job analysis." Give your view point.
6. Which approach of job design did H.P. follow? (Read opening case).
7. "Job rotation, job enlargement and job enrichment are simply attempts by managers to avoid individuals at work". Comment.

Closing Case

Doing the Dirty Work

Business magazines and newspapers regularly publish articles about the chaging nature of work in the United States and about how many jobs are being changed. Indeed, because so much has been made of the shift toward service-sector and professional jobs, many people assumed that the number of unpleasant and undesirable jobs has declined.

In fact, nothing could be further from the truth. Millions of Americans work in gleaming air-conditioned facilities, but many others work in dirty, grimy, and unsafe settings. For example, many jobs in the recycling industry require workers to sort through moving conveyors of trash, pulling out those items that can be recycled. Other relatively unattractive jobs include cleaning hospital restrooms, washing dishes in a restaurant, and handling toxic waste.

Consider the jobs in a chicken-processing facility. Much like a manufacturing assembly line, a chicken processing facility is organised around a moving conveyor system. Workers call it the chain. In reality, it's a steel cable with large clips that carries dead chickens down what might be called a "disassembly line." Standing along this line are dozens of workers who do, in fact, take the birds apart as they pass.

Even the titles of the jobs are unsavory. Among the first set of jobs along the chain is the skinner. Skinners use sharp instruments to cut and pull the skin off the dead chicken. Towards the middle of the line are the gut pullers. These workers reach inside the chicken carcasses and remove the intestines and other organs. At the end of the line are the gizzard cutters, who tackle the more difficult organs attached to the inside of the chicken's carcass. These organs have to be indiviually cut and removed for disposal.

The work is obviously distasteful, and the pace of the work is unrelenting. On a good day the chain moves an average of ninety chickens a minute for nine hours. And the workers are essentially held captive by the moving chain. For example, no one can vacate a post to use the bathroom or for other reasons without the permission of the supervisor. In some plants, taking an unauthorised bathroom break can result in suspension without pay. But the noise in a typical chicken-processing plant is so loud that the supervisor can't hear someone calling for relief unless the person happens to be standing close by.

Jobs such as these on the chicken-processing line are actually becomeing increasingly common. Fueled by Americans' growing appetites for lean, easy-to-cook meat, the number of poultry workers has almost doubled since 1980, and today they constitute a work force of around a quarter of a million people. Indeed, the chicken-processing industry has become a major component of the state economies of Georgia, North Carolina, Mississippi, Arkansas, and Alabama.

Besides being unpleasant and dirty, many jobs in a chicken-processing plant are dangerous and unhealthy. Some workers, for example, have to fight the live birds when they are first hung on the chains. These workers are routinely scratched and pecked by the chickens. And the air inside a typical chicken-processing plant is difficult to breathe. Workers are usually supplied with paper masks, but most don't use them because they are hot and confining.

And the work space itself is so tight that the workers often cut themselves—and sometimes their coworkers—with the knives, scissors, and other instruments they use to perform their jobs. Indeed, poultry processing ranks third among industries in the United States for cumulative trauma injuries such as carpet tunnel syndrome. The inevitable chicken feathers, faeces, and blood also contribute to the hazardous and unpleasant work environment.[41]

Questions

1. How relevant are the concepts of competencies to the jobs in a chicken-processing plant?
2. How might you try to improve the jobs in a chicken-processing plant?
3. Are dirty, dangerous, and unpleasant jobs an inevitable part of any economy?

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CHAPTER 6

Recruiting Human Resources

LEARNING OBJECTIVES

After reading this chapter you should have a good understanding of:

- The nature, objectives and importance of recruitment
- The factors that affect recruitment
- The recruitment process, delineate different stages in the process and describe each of them
- The distinct philosophies of recruiting and understand implications of each on employee hiring

Opening Case

PROBLEM OF BOOMING B SCHOOLS

The city of Bangalore is agog, not with scorching sun, not with frequent power cuts, not with two- and four-wheelers jostling for space on the overcrowded roads, but with headhunters scouting around for MBAs.

The 1990s witnessed an alarming rise in the number of institutes, schools and colleges offering management education both at the undergraduate as well as post graduate levels. There are about 120 of them offering BBM courses and 100 running MBA programmes. All these need atleast 400 MBAs to be appointed as teaching faculty. Mere MBA is not enough. The candidates must have cleared NET (National Eligibility Test) or should be doctorates.

All the students who join B Schools are not locals. They come from the northern parts of India and some from Dhaka. Teaching in English to these boys and girls is like talking to the wall. They need to be instructed in Hindi or Urdu. MBAs who are also linguists are highly preferable.

Managements are worried. They realise that only good faculty will attract good students. Where to find qualified and eligible MBAs? Most join industries after graduation. Only a few come for teaching and those that venture into it are in great demand. They do not want the demand to slip by. They are in one college today and are found teaching in some other institute tomorrow.

Suddenly, retired executives, ex-servicemen and not-so-successful consultants have found themselves in great demand. With briefcases in hands, these old men shuffle from college to college and are laughing all the way to banks. One retired bank manager confessed that he is able to gross every month Rs 18,000 by teaching at half a dozen colleges.

HRP helps determine the number and type of people a firm needs. Job analysis and job design specify the tasks and duties of jobs and the qualifications expected from prospective job holders (*see* Fig. 6.1). The next logical step is to hire the right number of people of the right type to fill the jobs. Hiring involves two broad groups of activities: **(i)** recruitment and **(ii)** selection. Recruitment is discussed in this chapter. The next chapter deals with selection.



Fig. 6.1 Recruitment and Selection Needs

Before coming to details of recruitment, it is useful to note that hiring, contrary to popular perception, is an ongoing process and not confined to the formative stages of an organisation. Employees leave the firm in search of greener pastures—some retire and some die in the saddle. More importantly, an enterprise grows, diversifies, takes over other units—all necessitating hiring of new men and women. In fact, the hiring function stops only when the company ceases to exist.

NATURE OF RECRUITMENT

Recruitment involves attracting and obtaining as many applications as possible from eligible job-seekers.

In simple terms, recruitment is understood as the process of searching for and obtaining applicants for jobs, from among whom the right people can be selected. Theoretically, recruitment process is said to end with the receipt of applications, in practice the activity extends to the screening of applications so as to eliminate those who are not qualified for the job.

Recruitment refers to the process of receipt of applicators from job-seekers. In reality, the term is used to describe the entire process of employee hiring. There are recruitment boards for railways, banks and other organisations. B schools talk about campus recruitment. In newspapers too, recruitment is frequently used to connote the process of employment. But students of HRM should know that there is difference between the two terms—recruitment and selection. (Meaning of selection is explained in the next chapter).

PURPOSES AND IMPORTANCE

The general purpose of recruitment is to provide a pool of potentially qualified job candidates. Specifically, the purposes are to:

1. Determine the present and future requirements of the firm in conjunction with its personnel-planning and job-analysis activities.
2. Increase the pool of job candidates at minimum cost.
3. Help increase the success rate of the selection process by reducing the number of visibly underqualified or overqualified job applicants.
4. Help reduce the probability that job applicants, once recruited and selected, will leave the organisation only after a short period of time.
5. Meet the organisation's legal and social obligations regarding the composition of its workforce.
6. Begin identifying and preparing potential job applicants who will be appropriate candidates.
7. Increase organisational and individual effectiveness in the short term and long term.
8. Evaluate the effectiveness of various recruiting techniques and sources for all types of job applicants.[1]

Recruitment represents the first contact that a company makes with potential employees. It is through recruitment that many individuals will come to know a company, and eventually decide whether they wish to work for it. A well-planned and well-managed recruiting effort will result in high-quality applicants, whereas, a haphazard and piecemeal effort will result in mediocre ones. High-quality employees cannot be selected when better candidates do not know of job openings, are not interested in working for the company, and do not apply.[2] The recruitment process should inform qualified individuals about employment opportunities, create a positive image of the company, provide enough information about the jobs so that applicants can make comparisons with their qualifications and interests, and generate enthusiasm among the best candidates so that they will apply for the vacant positions.

Recruitment lends itself as a potential source of competitive advantage to a firm. An effective approach to recruitment can help a company successfully compete for limited human resources. The firm must choose a recruiting approach that produces the best pool of candidates quickly and cost effectively. A recruiting programme helps the firm in at least four ways:

- Attract highly qualified and competent people.
- Ensure that the selected candidates stay longer with the company.
- Make sure that there is match between cost and benefit.
- Help the firm create more culturally diverse work-force.

The negative consequences of a poor recruitment process speaks volumes about its role in a firm. The failure to generate an adequate number of reasonably qualified applicants can prove costly in several ways. It can greatly complicate the selection process and may result in lowering of selection standards. The poor quality of selection means extra cost on training and supervision. Furthermore, when recruitment fails to meet organisational needs for talent, a typical response is to raise entry-level pay scales. This can distort traditional wage and salary relationships in the company, resulting in unavoidable consequences.[3] Thus, the effectiveness of the recruitment process can play a major role in determining the resources that must be expended on other HR activities and their ultimate success.

FACTORS GOVERNING RECRUITMENT

Given its key role and external visibility, recruitment is naturally subject to influence of several factors. These include external as well as internal forces (*see* Fig. 6.2).

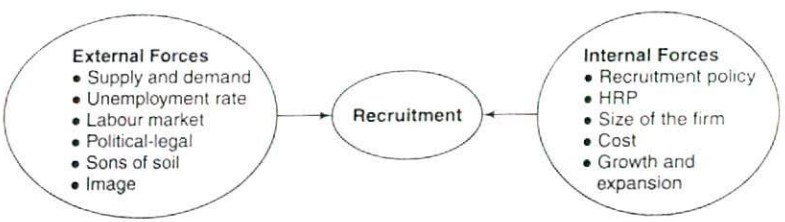


Fig. 6.2 Factors Influencing Recruitment

External Factors

Of particular importance is the *supply* and *demand* of specific skills in the labour market. If the demand for a particular skill is high relative to the supply, an extraordinary recruiting effort may be needed. For instance, the demand for programmers and financial analysts is likely to be higher than their supply, as opposed to the demand-supply relationship for non-technical employees.

When the *unemployment rate* in a given area is high, the company's recruitment process may be simpler. The number of unsolicited applicants is usually greater, and the increased size of the labour pool provides better opportunities for attracting qualified applicants. On the other hand, as the unemployment rate drops, recruiting efforts must be increased and new sources explored.

For a long time the issue relating to unemployment haunted everyone in India. Policy makers, politicians, administrators, union leaders and academicians used to harp on the problem frequently. Not any more. One and half decades of liberalisation has resulted in economic prosperity making people forget about unemployment. The issue now is employability and not unemployment. Any individual worth capable of something is sure of securing a job, of course in the private sector. Table 6.1 shows how the figure of unemployed fell from year on year.

Table 6.1 **Unemployed Work Applicants in India**

Year	*Total (Million)*
1996	37.43
1997	39.14
1998	40.09
1999	40.37
2000	41.34
2001	41.99
2002	41.17
2003	41.38
2004	40.45
2005	39.34

(***Source:*** *The Economic Times*, dated August 14, 2006)

Labour-market conditions in a local area are of primary importance in recruiting for most non-managerial, supervisory and middle-management positions.[4] However, so far as recruitment for executive and professional positions is concerned, conditions of all India market are important.

Another external factor is *political* and *legal considerations*. Reservation of jobs for SCs, STs, minorities, and other backward classes (OBCs) is a political decision. There is a strong case for giving preference to people hailing from less-advantaged sections of the society. Reservation has been accepted as inevitable by all sections of the society. The Supreme Court also has agreed upon 50 per cent reservation of seats and jobs.

As was stated in Chapter 2, we have Central and State Acts dealing with labour. They cover working conditions, compensation, retirement benefits, and safety and health of employees in industrial establishments. There are Acts which deal with recruitment and selection. Child Labour (Prohibition and Regulation) Act, 1986, for instance, prohibits employment of children in certain employments, and seeks to regulate their working conditions in certain other employments. Similarly, we have the Employment Exchange (Compulsory Notification of Vacancies) Act, 1959, which mandates that employers (industrial establishments employing 25 workers each and above) must notify the vacant positions to the employment exchanges. The Apprentices Act, 1961, the Inter-State Migrant Workmen (Regulation of Employment and

Conditions of Service) Act, 1979, the Factories Act, 1948, and the Mines Act, 1952, also deal with recruitment. Above all these, we have the Constitution which prohibits discrimination in matters of employment and also provides for protective discrimination to the less-privileged sections of the society. Preferences to *sons of the soil* is another political factor. Political leaders clamour that preference must be given to the people of their respective states in matters of employment.

The *company's image* also matters in attracting large number of job seekers. Blue chip companies attract large number of applications. Infosys, for example, handles nearly one million applications per annum. Often, it is not the money that is important. It is the perception of the job-seekers about the company that matters in attracting qualified prospective employees.

Internal Factors

The above are some of the external forces influencing the recruitment function of an organisation. In addition to these, there are certain internal forces which deserve consideration while recruiting personnel.

One such internal factor is the *recruiting policy* of the organisation. Most firms have a policy on recruiting internally (from own employees) or externally (from outside the organisation). Generally, the policy is to prefer internal sourcing, as own employees know the company well and can recommend candidates who fit the organisation's culture.

Another related policy is to have *temporary and part-time* employees. An organisation hiring temporary and part-time employees is in a less advantageous position in attracting sufficient applications.

In multinational corporations (MNCs), there is the policy relating to the recruitment of *local citizens*. MNCs operating in our country prefer local citizens as they can understand local languages, customs and business practices better.

A major internal factor that can determine the success of the recruiting programme is whether or not the company engages in *HRP*. In most cases, a company cannot attract prospective employees in sufficient numbers and with required skills overnight. It takes time to examine the alternatives regarding the appropriate sources of recruits and the most productive methods for obtaining them. Once the best alternatives have been identified, recruiting plans may be made.[5] Effective HRP greatly facilitates the recruiting efforts.

Size is another internal factor having its influence on the recruitment process. An organisation with one hundred thousand employees will find recruiting less problematic than a firm with just one hundred employees.

Cost of recruiting is yet another internal factor that has to be considered. Recruiting costs are calculated per new hire and the figure is considerable nowadays. Recruiters must, therefore, operate within budgets. Careful HRP and forethought by recruiters can minimise recruitment costs. One cost-saving measure, for instance, is recruiting for multiple job openings simultaneously. The best solution is to use proactive personnel practices to reduce employee turnover, thus minimising the need for recruiting. Evaluating the quality, quantity and costs of recruitment helps ensure that it is efficient and cost-effective.[6]

Finally, an organisation registering *growth* and *expansion* will have more recruiting on hand than the one which finds its fortunes declining.

? Pause and Ponder

Think of a firm you want to submit job application. Which factors attract you towards the company?

RECRUITMENT PROCESS

As was stated earlier, recruitment refers to the process of identifying and attracting job seekers so as to build a pool of qualified job applicants. The process comprises five interrelated stages, viz.:

(i) planning, **(ii)** strategy development, **(iii)** searching, **(iv)** screening, and **(v)** evaluation and control (*see* Fig. 6.3). The ideal recruitment programme is the one that attracts a relatively larger number of qualified applicants who will survive the screening process and accept positions with the organisation, when offered. Recruitment programmes can miss the ideal in many ways: by failing to attract an adequate applicant pool, by under/over selling the firm, or by inadequately screening applicants before they enter the selection process.[7] Thus, to approach the ideal, individuals responsible for the recruitment process must know how many and what types of employees are needed, where and how to look for individuals with the appropriate qualifications and interests, what inducements to use (or avoid) for various types of applicant groups, how to distinguish applicants who are unqualified from those who have a reasonable chance of success, and how to evaluate their work.

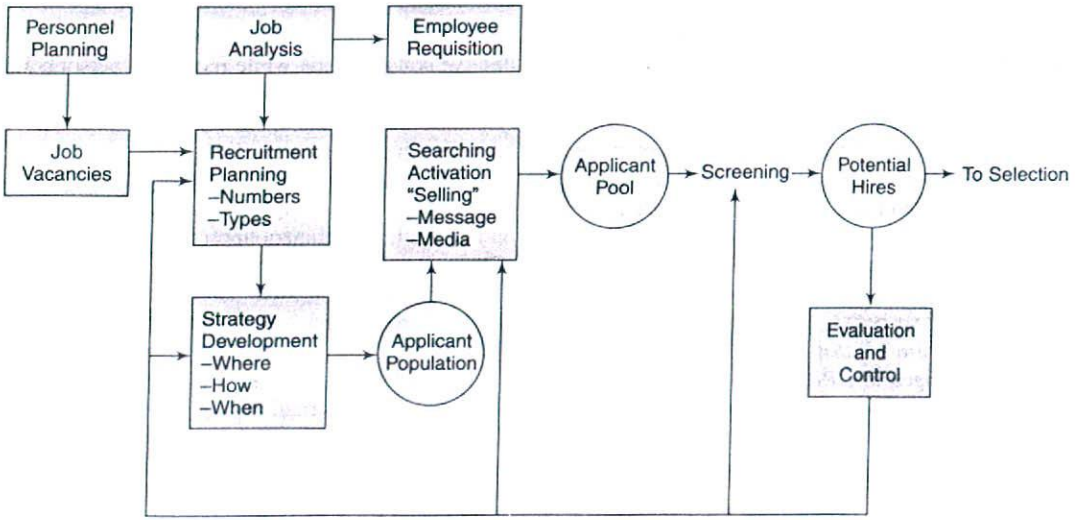


Fig. 6.3 Recruitment Process

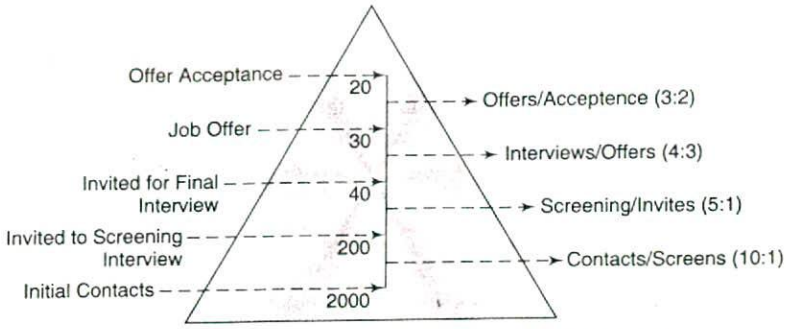
Source: Herbert G. Heneman III, et al., *Personnel/Human Resource Management*, p. 226.

Recruitment Planning

The first stage in the recruitment process is planning. Planning involves the translation of likely job vacancies and information about the nature of these jobs into a set of objectives or targets that specify the **(i)** number, and **(ii)** type of applicants to be contacted.

Number of Contacts Organisations, nearly always, plan to attract more applicants than they will hire. Some of those contacted will be uninterested, unqualified, or both. Each time a recruitment programme is contemplated, one task is to estimate the number of applicants necessary to fill all vacancies with qualified people.[8]

Companies calculate yield ratios (yRs) which express the relationship of applicant inputs to outputs at various decision points. For example, assume that an organisation attempting to recruit sales people ran a series of newspaper advertisements. The advertisement generated resumes from 2000 applicants, of which 200 were judged to be potentially qualified (yR = 10:1). Of these 200, 40 attended the interview for final selection (yR = 5:1). Of these 40, 30 were actually qualified and offered jobs (yR= 4:3); and of the 30, 20



Yield ratios express the relationship of applicant inputs to outputs at various decision points.

Fig. 6.4 Recruiting Yield Pyramid

accepted (yR = 3:2). In this case, the overall yR is 100: 1. Thus, a requirement of 30 hires, during a specified period, would mean a recruitment target of 3000.[9] (*see* Fig. 6.4)

The yRs must be used with circumspection. No yRs will be available for recruiting employees for the first time, or for recruiting sources or methods that have not yet been tried. Recruiters in such cases have to depend upon their counterparts in other organisations or make their own guesses.

Type of Contacts This refers to the type of people to be informed about job openings. The type of people depends on the tasks and responsibilities involved and the qualifications and experience expected. These details are available through job description and job specification.

Strategy Development

Once it is known how many and what type of recruits are required, serious consideration needs to be given to **(i)** 'make' or 'buy' employees; **(ii)** technological sophistication of recruitment and selection devices;[10] **(iii)** geographic distribution of labour markets comprising job seekers; **(iv)** sources of recruitment; and **(v)** sequencing the activities in the recruitment process.

'Make' or 'Buy' Firms must decide whether to hire less skilled employees and invest on training and education programmes, or they can hire skilled labour and professionals. Essentially, this is the 'make' (hire less skilled workers) or 'buy' (hire skilled workers and professionals) decision. Organisations which hire skilled labour and professionals shall have to pay more for these employees.

'Buying' employees has the advantage in the sense that the skilled labour and professionals can begin the work immediately and little training may be needed. But the high remuneration that the skilled workers and professionals demand may outweigh the benefits.

Technological Sophistication The second decision in strategy development relates to the methods used in recruitment and selection. This decision is mainly influenced by the available technology. The advent of computers has made it possible for employers to scan national and international applicant qualifications. Although impersonal, computers have given employers and job seekers a wider scope of options in the initial screening stage.

Technological advancement has made it possible for job seekers to gain better access. They have begun sending videotapes about themselves to a number of companies without wasting time and without spending money on travel.

Where to Look In order to reduce costs, firms look into labour markets most likely to offer the required job seekers. Generally, companies look into the national market for managerial and professional employees, regional or local markets for technical employees, and local markets for clerical and blue-collar employees.

The above pattern will be modified by certain factors. One such factor is the location of the firm. A company located in a backward district like Bidar in Karnataka cannot confine itself to the local market for its requirement of managerial personnel. But the same company can depend on the local market, if it were located in Bangalore. Still another consideration is the state of the labour market. Local shortage of blue-collar employees compels companies to conduct regional recruiting campaigns for these employees.

In the final analysis, organisations recruit where experience and circumstances dictate likely success. Recognising this, many adopt an incremental strategy in which initial efforts are concentrated in regional or local labour markets and expanded only if these efforts fail to achieve the desired results.[11]

How to Look How to look refers to the methods or sources of recruitment. There are several sources and they may be broadly categorised into **(i)** internal, and **(ii)** external. (See Fig. 6.5)

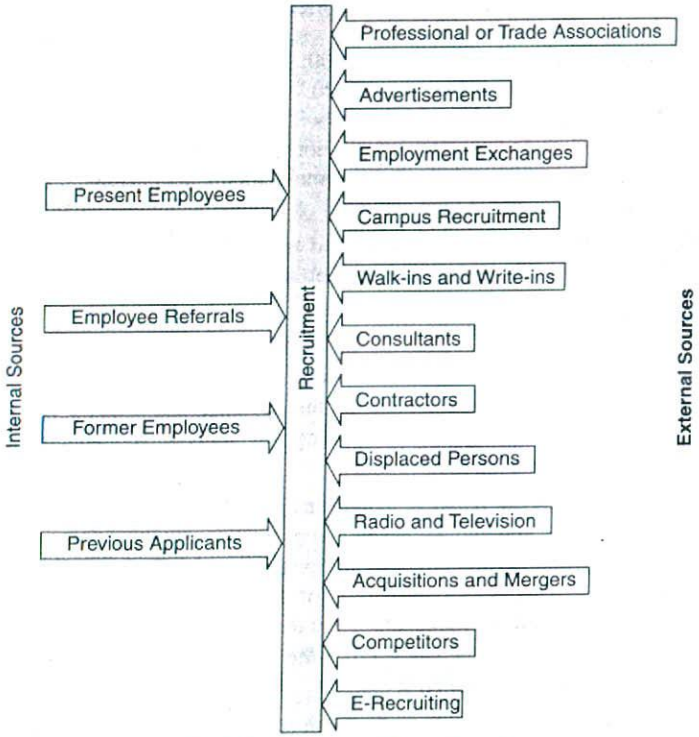


Fig. 6.5 Sources of Recruitment

Internal Recruitment

Internal recruitment seeks applicants for positions from those who are currently employed. Internal sources include present employees, employee referrals, former employees, and former applicants.

Present Employees Promotions and transfers from among the present employees can be a good source of recruitment. Promotion to higher positions has several advantages. They are[12]—**(i)** it is good public

relations; **(ii)** it builds morale; **(iii)** it encourages competent individuals who are ambitious; **(iv)** it improves the probability of a good selection, since information on the individual's performance is readily available; **(v)** it is cheaper than going outside to recruit; **(vi)** those chosen internally are familiar with the organisation; and **(vii)** when carefully planned, promoting from within can also act as a training device for developing middle-level and top-level managers.

However, promotion can be dysfunctional to the firm as the advantage of hiring outsiders who may be better qualified and skilled is denied. Promotion also results in inbreeding which is not good for the organisation.

Promotion, to be effective, requires using job posting, personnel records, and skill banks. *Job posting* means notifying vacant positions by posting notices, circulating publications or announcing at staff meetings and inviting employees to apply. This practice is not followed for senior positions which are generally filled with people hired from outside. *Personnel records* are also useful to effect promotions. Examining personnel records may help discover employees who are doing jobs below their educational qualifications or skill levels.

It may also help to track persons who have the potential for further training or those who have the right background for the vacant positions. Some companies develop *skill banks* that list current employees who have specific skills.[13]

Another way to recruit from present employees is transfer without promotion. Transfers are often important in providing employees with a broad-based view of the company, necessary for future promotions.

Employee Referrals This can be a good source of internal recruitment. Employees can develop good prospects for their families and friends by acquainting them with the advantages of a job with the company, furnishing cards of introduction, and even encouraging them to apply.

Employee referrals can be a good source of recruitment. When employees recommend successful referrals, they (the former) are paid monetary incentives which are called "finders fees".

Some companies even offer "finders fees" in the form of monetary incentives for a successful referral. Microsoft, for example, is presently offering referral incentives to its employees for Internet experts. Infosys in Bangalore has the practice of flashing the news about vacancies on its website and inviting referrals from employees. Employees are paid Rs 10,000 to Rs 15,000 each as "charges" for every successful hire. Similar practice prevails in Wipro, Satyam and other firms. Texas Instruments has a third of its jobs being filled through employee referrals.

When used wisely, referrals can be an effective way of recruiting. Many prospects can be reached at a very low cost, and in an organisation with a large number of employees this approach can provide quite a large pool of potential organisational members. Most employees know from their own experiences about the requirements of the job and what sort of persons the company is looking for. Often employees have friends or acquaintances who meet these requirements.

There are some potential negative factors associated with employee referrals. They include the possibility of inbreeding, manifesting in groups of people quitting one firm and joining another. They carry with them the cultural practices of the previous firm. They form cliques of their own, demand unacceptable privileges and often threaten to quit if demands are not met.

Former Employees Former employees are also an internal source of applicants. Some retired employees may be willing to come back to work on a part-time basis or may recommend someone who would be interested in working for the company. Sometimes, people who have left the company for some reason or the other are willing to come back and work. Individuals who left for other jobs, might be willing to come back for higher emoluments.[14] An advantage with this source is that the performance of these people is already known.

Previous Applicants Although not truly an internal source, those who have previously applied for jobs can be contacted by mail, a quick and inexpensive way to fill an unexpected opening.[15] Although 'walk-ins' are likely to be more suitable for filling unskilled and semi-skilled jobs, some professional openings can be filled by applicants to previous jobs.

Evaluation of Internal Recruitment

There are three major advantages of internal recruitment. *First,* it is less costly than external recruiting. *Second,* firms typically have a better knowledge of the internal candidates' skills and abilities than the ones acquired through external recruiting. *Third,* an organisational policy of promoting from within can enhance employees' morale, organisational commitment and job satisfaction.

There are disadvantages which need to be mentioned. One theory is that the method simply perpetuates the old concept of doing things—that creative problem solving may be hindered by the lack of new talents. Some companies complain of unit raiding in which divisions compete for the same people. A third possible disadvantage is that politics probably has a greater impact on internal recruiting and selection than does external recruiting.[16] Thus, while more job-related information may be known about internal candidates, personnel decisions involving internal candidates are more likely to be affected by the political agenda of the decision makers. (also *see* Exhibit 6.4).

External Recruitment

External sources far outnumber the internal methods. Specifically, sources external to a firm are professional or trade associations, advertisements, employment exchanges, college/university/institute placement services, walk-ins and write-ins, consultants, contractors, displaced persons, radio and television, acquisitions and mergers, and competitors.

Professional or Trade Associations Many associations provide placement services for their members. These services may consist of compiling job seekers' lists and providing access to members during regional or national conventions. Further, many associations publish or sponsor trade journals or magazines for their members. These publications often carry classified advertisements from employers interested in recruiting their members. Professional or trade associations are particularly useful for attracting highly educated, experienced or skilled personnel.[17] Another advantage of these sources is that recruiters can zero in on specific job seekers, especially for hard-to-fill technical posts.

Advertisements These constitute a popular method of seeking recruits as many recruiters prefer advertisements because of their wide reach.

Want ads describe the job and the benefits, identify the employer, and tell those who are interested and how to apply. They are the most familiar form of employment advertising. For highly specialised recruits, advertisements may be placed in professional/business journals.[18] Newspaper is the most common medium.

A number of factors influence the response rate to advertisement. There are three important variables—identification of the company, labour-market conditions, and the degree to which specific requirements are included in the advertisement.

Many organisations place what is referred to as a *blind ad,* one in which there is no identification of the firm. Respondents are asked to reply to a post box number or to a consulting firm that is retained by the organisation. Large companies with national reputation will seldom use blind ads to fill lower-level positions. However, when the organisation does not wish to publicise the fact that it is seeking to fill an internal position, or when it seeks to recruit for a position in the place of a person likely to be displaced, a blind ad may be appropriate. This is especially true when the position to be filled is likely to draw an extraordinary

number of applications. Using the blind ad relieves the firm from having to respond to any individual who applies. Only those individuals the company wishes to see are notified. Others are ignored as if they were never received.

Although blind ads can assist recruiters in finding qualified applicants, many individuals are reluctant to reply to them. Obviously, there is the fear, usually unjustified, that the advertisement has been placed by his/her present employer. Also, the organisation itself is a key determinant whether the individual is interested. Therefore, potential candidates are often reluctant to apply. Further deterrents are the bad reputation that blind ads have received because of organisations that place advertisements when no positions exist in order to test the supply of workers in the community; test their popularity among job seekers; to build a backlog of applicants; or to identify those current employees who are likely to fly away.[19]

A variation to this source of recruitment is that the advertisements are released by the job-seekers themselves. Such advertisements describe the qualifications, experience, and the areas of interest of the advertisers. It is upto the firms to invite the advertisers for interview. An advertisement of this type is shown in Exhibit 6.1.

Exhibit 6.1 ***Moonlighting***

Services Offered

UNIQUE multipurpose greeting cards of handmade paper, crafted with exquisite floral designs using natural dried ferns, flowers and foliage available with matching envelopes. Sizes: 6" ' 3 5/8", 7" ' 4. " (folded) and 7" ' 6" (unfolded). Bulk local/export orders solicited. Phone 5582536.

EXPORT consultancy available for starting export of any products/services or developing any existing business on retainership basis. Write to: K.M.Vasudevan, Post Box No. 7622, Bangalore—560076.

AN ELECTRONIC technician with very good background is seeking for part-time marketing job of electronic products, interested companies reply to G. Narayan Kumar, No. 2/1 Venkataswamappa Street, Chikkmaualli, Bangalore—560004.

UNDERTAKE any intricate foundry patterns (wood and metal) please contact Darpan Patterns, 6th Cross Vivekananda Road, Hosamane, Shimoga-577201 Ph. 40104 - EREGOWDA.

MANAGER MNC, experienced in teaching MBA, wants to teach marketing on Saturdays/evenings in reputed Management Institute/Colleges. Contact Mac on Phone 5582360 between 8 pm and 9 pm.

EXPERIENCED chemical technologist available on part-time basis for advice on problems of processes, testing and analysis, recoveries of finished products, metals compounds, finishing, Telephone 3348174.

QUALIFIED and experienced information technology professional available for freelance/part-time consultancy for setting up Export Oriented Software Development Technology Units (100% EOU/STP). Contact: No. 1724, 13 Main 31 Cross, Banashankari 11 stage, Bangalore-560 070. Telephone 6625067.

SR managerial position retd. worked various disciplines. Good communication/administrative skills. Proven journalistic capability. Want to keep busy part-time. Remuneration not, objective. Phone 3340664.

Advertisements must be effectively drafted before publishing/releasing them. An ineffective advertisement will meet the fate aptly described in the following:

"Is your advertising getting results?"
"It sure is! Last week we advertised for a night watchman and the next night we were robbed."
—Anonymous

Experienced advertisers use a four-point guide called AIDA to construct their advertisements. First, attract *attention*, next develop *interest* in the job, next create *desire* and then instigate *action* on the part of an onlooker.

Most experts are of the opinion that advertisements must contain the following information—**(i)** the job content (primary tasks and responsibilities); **(ii)** a realistic description of working conditions, particularly if they are unusual; **(iii)** the location of the job; **(iv)** the compensation, including the fringe benefits; **(v)** job specifications; **(vi)** growth prospects; and **(vii)** to whom one applies. It may also be remembered that a recruitment advertisement today has to do much, more than announce that a company is looking for personnel. It has to sell the idea that the company and the job are perfect for the candidate. Further, recruitment advertisements can also serve as corporate advertisements, the latter positioned to build the company's image. Cost-wise too, this arrangement suits companies. A half-page appointment advertisement in *The Times of India,* for example, would cost Rs 2.25 lakh while a corporate advertisement would cost Rs 2.75 lakh.

Employment Exchanges Employment exchanges have been set up all over the country in deference to the provisions of the Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959. The Act applies to all industrial establishments having 25 workers or more each. The Act requires all the industrial establishments to notify the vacancies before they are filled. The major functions of the exchanges are to increase the pool of possible applicants and to do preliminary screening. Thus, employment exchanges act as a link between the employers and the prospective employees. These offices are particularly useful in recruiting blue-collar, white-collar and technical workers. Table 6.2 shows the employment-exchange data.

Table 6.2 **Number of Employment Exchanges and Related Data**

Year	*No. of Employment Exchanges*	*(in thousands)*					*% of Placement to Submission*	*% of Placement to Vacancies Notified*	*% Increase in live Register Over Previous Year*
		Registration	*Placement*	*Vacancies Notified*	*Submission Made*	*Live Register*			
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*
1994	891	5927.3	204.9	396.4	3723.4	36691.5	5.5	51.7	1.1
1995	895	5858.1	214.9	385.7	3569.9	36742.3	6.0	55.7	0.1
1996	914	5872.4	233.0	423.9	3605.9	37429.6	6.5	55.0	1.9
1997	934	6321.9	275.0	393.0	3767.8	39139.9	7.3	70.0	4.6
1998	945	5851.8	233.3	358.8	3076.6	40089.6	7.6	65.0	2.4
1999	955	5966.0	221.3	328.9	2653.2	40371.4	8.3	67.3	0.7
2000	958	6041.9	177.7	284.5	2322.8	41342.6	7.7	62.5	2.4
2001	938	5552.6	169.2	304.1	1908.8	41995.9	8.9	55.6	1.6
2002	939	5064.0	142.6	220.3	1748.8	41171.2	8.2	64.7	–2.0
2003	945	5462.9	154.9	256.1	1917.3	41388.7	8.1	60.5	0.5

Source: Directorate General of Employment and Training.

Campus Recruitment Colleges, universities, research laboratories, sportsfields and institutes are fertile ground for recruiters, particularly the institutes. The Indian Institutes of Management (IIMs) and the Indian

Institutes of Technology (IITs) are on the top of the list of avenues for recruiters. In fact, in some companies, recruiters are bound to recruit a given number of candidates from these institutes every year. The IIMs are an important source for recruiting management trainees.

Campus recruitment is going global with companies like Hindustan Unilever, Citibank, HCL-HP, L&T, Motorola and Reliance looking for recruitees in global markets. Business schools in the US and the UK are a source of potential candidates for them. These candidates are Indians who have gone abroad for higher studies in management. Unlike in the past, these promising boys and girls are willing to return to India and take up assignments here. At least four reasons can be given to explain this trend. *First,* changes in the economic front have thrown open new opportunities in the home country. *Second,* quality of life in India has improved considerably. *Third,* it is becoming highly difficult for foreign students to secure work permits in the US. *Fourth,* sentiment and love for the mother country compels them to return to India.

The campus recruitment is so much sought after by the recruiters that each college, university department or institute will have to have a placement officer to handle recruitment functions.

Campus recruitment is often an expensive process, even if the recruiting process eventually produces job offers and acceptances. Majority of those would leave the firms within the first five years of their employment. Some people attribute this high rate of turnover to the lack of challenge offered by the companies. Problems notwithstanding, campus recruitment is the major source of recruitment for prestigious companies such as HUL, Tatas, L&T and the like.

Walk-ins, Write-ins and Talk-ins The most common and least expensive approach for candidates is direct applications, in which job seekers submit unsolicited application letters or resumes. Direct applications can also provide a pool of potential employees to meet future needs. From employees' viewpoint, walk-ins are preferable as they are free from the hassles associated with other methods of recruitment. While direct applications are particularly effective in filling entry-level and unskilled vacancies, some companies compile pools of potential employees from direct applications for skilled positions.[20] (*see* Exhibit 6.2 for an illustration of walk-ins and Exhibit 6.3 for their flip side).

Exhibit 6.2 ***Walk-in Interview***

Imagine working for India's largest media Group. With its wide array of brands. Most of them market leaders.
Imagine hob-nobbing with leading advertising and marketing professionals.

Imagine working with over 300 ambitious, enthusiastic and creative colleagues, averaging 24 years in age. A sales-force unarguably the best of its kind in the industry.
Imagine working for a target of over a crore of rupees a day! Phew!

Now, stop imagining. Act.
If you are a graduate—creative, articulate and persuasive—with a passion for sales, then, handwrite your bio-data.
People who have responded to our earlier advertisements need not apply again.

WALK-IN
ON SATURDAY
SEPTEMBER 24, 2006
Some of India's media marketing whizkids are waiting to meet you.
Between 10 a.m. and 2 p.m.
Mind you, they have a sharp eye for talent.

And that is no imagination.

The TIMES OF INDIA
RESPONSE
40/1, S & B Towers
2nd floor, M.G. Road
Bangalore—560 001

Exhibit 6.3 ***Walk-In Interview—The Flip Side***

Today's newspapers are full of new openings to be tapped in newer ways. Six out of ten are through walk-in-interviews. Though, for many, it could well be a walk-out!

These walk-ins offer interesting moments for an observer. It so happened in one of the offices that several posts were to be filled up through such interviews. It was a virtual stampede as people from different age-groups thronged the premises. Parents had accompanied their daughters. One of the candidates, a lass, apparently bored, intending on making friends, spoke to an elderly person inquiring whether his daughter had come for the interview. Blushed, with a smile on his face, the person replied that he himself was a candidate! Surely, the young one had the experience of her life.

At another place, the post advertised was for a lecturer in a B school. Naturally, members of the managing committee of the institute were seated along with the subject experts. Minutes before the start of the interview, a person walked in through the entrance meant for insiders, neatly dressed up and carrying a brief case. Everyone thought that he must have been specially invited as one of the members of the selection panel. It took quite some time for them to come to their own and realise that the gentleman was one of the hopefuls aspiring for the job. Obviously, the first round was decisively won by the candidate. Quickly reconciling, one of the members, to put the candidate on the defensive, fired a question to know whether the candidate was fit enough to deliver four lectures a day. Pat came the reply from the candidate that he could do it for 10 hours as he, being an amateur dramatist, had the habit of long hours of rehearsals and acting. Now, it was the turn of the honourable member to have a walk-out!

How are these interviews conducted? It is anybody's guess. The chaos and confusion would be so much that more than the candidates, the people who manage the show are often seen gasping for breath. They do not know how many candidates are to be interviewed and how many positions are to be filled up. The number of candidates could sometimes be varying directly with the temperature outside. Everyone who happens to pass the side would like to try out his/her luck! After all, it is walk-in you see. In the process genuine candidates lose out, and convincingly too!

In one of the interviews for the post of a finance manager, one person who had the required credentials for the job was aghast to find out that the person who was interviewing him was a civil engineer. The management felt that handling finance was like mixing cement with sand.

Tail piece. Do walk in to any number of places, but never try to reveal your knowledge! You would be branded as 'too big'! So keep walking in, at least that's good for your health.

Write-ins are those who send written enquiries. These jobseekers are asked to complete application forms for further processing.

Talk-ins are becoming popular nowadays. Job aspirants are required to meet the recruiter (on an appropriated date) for detailed talks. No application is required to be submitted to the recruiter.

Consultants ABC Consultants, Ferguson Associates, Human Resource Consultants, Head Hunters, Batliboi and Co., Analytic Consultancy Bureau, Aims Management Consultants and The Search House are some among the numerous recruiting agencies. These and other agencies in the profession are retained by organisations for recruiting and selecting managerial and executive personnel.

Consultants are useful inasmuch as they have nation-wide contacts and lend professionalism to the hiring process. They also keep prospective employer and the employee anonymous. But, the cost can be a deterrent factor. Most consultants charge fees ranging from 20 to 50 per cent of the first year salaries of the individuals placed.

Contractors Contractors are used to recruit casual workers. The names of the workers are not entered in the company records and, to this extent, difficulties experienced in maintaining permanent workers are avoided.

Displaced Persons Siting and implementation of a project in an area would result in displacement of several hundred inhabitants. Rehabilitating the displaced people is a social responsibility of business. Such people are a source of recruitment, not only for the project which caused the displacement, but also for other companies located elsewhere.

Rehabilitation of displaced persons is mandated by the government, and the World Bank has made it a conditionality for granting assistance to the concerned country.

But the track record of companies in this respect is disappointing. The Visakhapatnam Steel Plant has assured rehabilitation to all the 5,000 displaced persons but took only 1,339 of them into the company's folds. The steel plant is no exception.

Radio and Television Radio and television are used but sparingly, and that too, by government departments only. Companies in the private sector are hesitant to use the media because of high costs and also because they fear that such advertising will make the companies look desperate and damage their conservative image.

Radio and television can be used to reach certain types of job applicants such as skilled workers. Besides, there is nothing inherently desperate about using radio or television. Rather it depends upon what is said and how it is delivered that implies some level of desperation.[21]

Acquisitions and Mergers Another method of staffing firms is a result of the merger or acquisition process. When organisations combine into one, they have to handle a large pool of employees, some of whom may no longer be necessary in the new organisation. Consequently, the new company has, in effect, a pool of qualified job applicants (although they are current employees). As a result of the merger or acquisition, however, new jobs may be created as well. Both new and old jobs may be readily staffed by drawing the best-qualified applicants from this employee pool.

In contrast to the other external methods, this one can facilitate the immediate implementation of an organisation's strategic plan. This ready pool may enable a firm to pursue a business plan, such as entering a new product line that would otherwise be unfeasible using standard recruiting methods. The need to displace employees and to integrate a large number of them rather quickly into a new organisation, however, means that the personnel-planning and selection process become more critical than ever.[22]

Competitors Rival firms can be a source of recruitment. Popularly called poaching' or 'raiding', this method involves identifying the right people in rival companies, offering them better terms and luring them away. For instance, several executives of HMT left to join Titan Watch Company, so also from BEL to BPL. Most glaring is the exodus of pilots from the Indian Airlines to join private air taxi operators. The exodus is more pronounced in the financial sector. For example, the chief of CRISIL joined George Soros, one of the largest firms in the capital market. And three deputy managing directors of SBI resigned to join private companies.

There are legal and ethical issues involved in raiding rival firms for potential candidates. From the legal point of view, an employee is expected to join a new firm only after obtaining a 'no objection certificate' from his/her present employer. Violating this requirement shall bind the employee to pay a few months' salary to his/her present employer as a punishment.

The ethical issue is more significant than the legal one. Should an employee desert the company which has given training and offered him/her a job simply because someone else offers you a few hundred rupees more as compensation? Is money everything in life? Have loyalty and commitment lost their relevance?

Unfortunately, today's young managers are known for rootlessness and job hopping. Loyalty to the organisation is a thing of the past. An MBA of today is known to change

Firms poach on right people in rival companies by offering better terms and lure them away. Poaching has legal implication in as much as the employee needs to obtain clearance from his or her employer before hopping on to another. There is also an ethical issue involved in poaching. Should an employee desert a firm merely because somebody else offers a few thousands more?

jobs and organisations like changing one's clothes. Clearly, this trend needs to be stopped. This is a challenge for the HR manager.

E-Recruiting

Perhaps no method has ever had as revolutionary an effect on recruitment practices as the Internet. There are respective company websites devoted in some manner to job posting activities. Currently, employers can electronically screen candidates' soft attributes, direct potential hires to a special website for online skill assessment, conduct background checks over the Internet, interview candidates via videoconferencing, and manage the entire process with web-based software. Companies benefit immensely through cost savings, speed enhancement and extended worldwide candidate reach which the Internet offers. From the job seekers' perspective, the Internet allows for searches over a broader array of geographic and company postings than was possible before.

There are negatives associated with Internet recruiting. For example, broader exposure might result in many unqualified applicants applying for jobs. More resumes need to be reviewed, more e-mails dealt with and specialised applicant tracking software may be needed to handle the large number of applicants. Another problem is that the recruiters are likely to miss out many competent applicants who lack access to Internet.

Problems notwithstanding, both job givers as well as job seekers find Internet as the most effective source of recruiting and its usage in the days to come will be all pervasive. Chapter 29 gives more details on e-recruiting.

? Pause and Ponder

Have you at any time tried Internet recruiting? What has been your experience with it when compared with conventional route?

Evaluation of External Recruitment External sources of recruitment have both merits and demerits. On the plus side, the following may be cited:

1. The firm will have the benefit of new skills, new talents and new experiences, if people are hired from external sources.
2. The management will be able to fulfil reservation requirements in favour of the disadvantaged sections of the society.
3. Scope for resentment, heartburn and jealousy can be avoided by recruiting from outside.

The demerits are:

1. Better motivation and increased morale associated with promoting own employees are lost to the company.
2. External recruitment is costly.
3. If recruitment and selection processes are not properly carried out, chances of right candidates being rejected (false positive error) and wrong applicants being selected (false negative error) occur. Exhibit 6.4 shows relative merits and demerits of internal recruitment and external recruitment.

E-recruiting involves screening candidates electronically, directing potential hires to a special website for online skill assessment, conducting background checks over the Internet, interviewing candidates via videoconferecing, and managing the entire process with web-based software.

Whatever be the source of recruitment, the job seekers must submit application forms seeking employment. These applications shall be supplied by the employer (popularly called *application blanks)* or the applicants may be expected to prepare their own application forms and submit on or before the expiry of the stipulated date.

Exhibit 6.4 ***Internal versus External Recruitment: Advantages and Disadvantages***

Internal Recruitment

Advantages	*Disadvantages*
1. It is less costly.	1. It perpetuates the old concept of doing things.
2. Candidates are already oriented towards company..	2. It abets raiding.
3. Organisations have better knowledge about the internal candidates.	3. Candidates' current work may be affected.
4. Enhancement of employee morale and motivation	4. Politics play greater role.
5. Good performance is rewarded.	5. Morale problem for those not promoted.

External Recruitment

Advantages	*Disadvantages*
1. Benefits of new skills, new talents and new experiences to organisations.	1. Better morale and motivation associated with internal recruiting is denied to the company.
2. Compliance with reservation policy becomes easy.	2. It is costly.
3. Scope for resentment, jealousies and heartburn are avoided.	3. Chances of creeping in false positive and false negative errors.
	4. Adjustment of new employees to the organisational culture takes longer time.

Application forms serve three useful purposes—**(i)** they are the records of applicants' desire to obtain jobs; **(ii)** they provide the interviewer with profiles of applicants which can be used in the interview, and **(iii)** they are the basic personnel records for applicants who later become employees.

When to Look An effective recruiting strategy must determine when to look—decide on the timings of events—besides knowing where and how to look for job applicants (*see* Fig. 6.2).

Time lapsed data (TLD) will be highly useful in determining the timings. TLD show the average time that elapses between major decision points in the recruitment process. Continuing with the example quoted earlier, the firm has a task of recruiting 30 salespersons in a given period. Yield ratio (yR) analysis showed that 3000 potential applicants would have to be contacted during this period. But when should these contacts occur?[23]

Suppose an analysis of TLD shows that in the past, it typically had taken 10 days for an advertisement to begin producing resumes, four days for invitations for interviews to be issued, seven days to arrange for interviews, four days for the company to make up its mind, 10 days for the applicants offered jobs to make up their minds, and 21 more days for those accepting offers to report for work. This suggests that vacancies must be advertised two months before they are expected to occur.[24]

SEARCHING

Once a recruiting plan and strategy are worked out, the search process can begin (*see* Fig. 6.2). As seen in the figure, search involves two steps—**(i)** source activation, and **(ii)** selling.

Source Activation

Typically, sources and search methods are activated by the issuance of an employee requisition (Fig. 6.2). This means that no actual recruiting takes place until line managers have verified that a vacancy does exist or will exist.

If the firm has planned well and done a good job of developing its sources and search methods, activation soon results in a flood of applications and/or resumes.

The applications received must be screened. Those who pass have to be contacted and invited for interview. Unsuccessful applicants must be sent letters of regret.[25]

Selling

A second issue to be addressed in the searching process concerns communications. Here, organisations walk a tightrope. On one hand, they want to do whatever they can to attract desirable applicants. On the other, they must resist the temptation of overselling their virtues.[26]

In selling the company, both the message and the media deserve attention. Message refers to the employment advertisement. With regard to media, it may be stated that effectiveness of any recruiting message depends on the media. Media are several—some have low credibility, (employment exchanges, for example) while others enjoy high credibility (advertisements in business magazines, for example). Selection of medium or media needs to be done with a lot of care.

SCREENING

Screening of applications can be regarded as an integral part of the recruiting process, though many view it as the first step in the selection process. Even the definition on recruitment, we quoted in the beginning of this chapter, excludes screening from its scope. However, we have included screening in recruitment for valid reasons. The selection process will begin after the applications have been scrutinised and shortlisted. Hiring of professors in a university is a typical situation. Applications received in response to advertisements are screened and only eligible applicants are called for an interview. Interview is conducted by a selection committee comprising the Vice-Chancellor, Registrar and subject experts. Here, the recruitment process extends upto screening the applications. The selection process commences only later.

The purpose of screening is to remove from the recruitment process, at an early stage, those applicants who are visibly unqualified for the job. Effective screening can save a great deal of time and money. Care must be exercised, however, to assure that potentially good employees are not lost and that women and minorities receive full and fair consideration and are not rejected without justification.

In screening, clear job specifications are invaluable. It is both a good practice and a legal necessity that applicants' qualifications be judged on the basis of their knowledge, skills, abilities and interests required to do the job.

The techniques used to screen applicants vary depending on the candidate sources and recruiting methods used. Interviews and application blanks may be used to screen walk-ins. Campus recruiters and agency representatives use interviews and résumés.[27] Reference checks are also useful in screening (Also see Exhibit 6.5).

Exhibit 6.5 ***No More Lemons***

Remember that lemon you hired last month—who wasn't just a waste of time but also left your company poorer by a few lakhs? Not just that, now he's hopped across to your rival, armed with a few of your hottest

business strategies. Well, you wouldn't have made that grave error in judgment had you screened him before taking him on board. You wouldn't have had to do it yourself. You could have outsourced it to a firm like Quest Research India, one of the few background-screening companies with pan-Asia operations. Screening is basically an integrity and honesty check, a measure for fraud prevention.

Bad hires are a big blow to a company's reputation, quality of service, and relation with the client. Considering a siginificant amount of time and cost is incurred by the management in case of fraud or leakage of information it makes sense to undertake preventive measures like these. Don't however be misled into believing that intensive knowledge-based industries are the lone practitioners of this novel business practice. Manufacturing, financial services, banks and even logistic services are some of the other sectors that prefer to screen their prospective employees. Rough estimates suggest that the organised and unorganised sectors together do about 40,000 checks every month currently. Also the new overseas legislations make it mandatory for Indian companies to verify their employees' credentials and ensure complete safety of data. Measures like these would also eliminate passage of sensitive information through high-profile corporate executives skipping jobs besides restricting entry of undeserving candidates who would not have sailed through, but for the false information.

The screening involves verifying educational qualifications, previous employment stints, and the existence of a criminal record. The service providers do a thorough check of the candidates' whereabouts, permanent address, criminal history, work ability, performance at previous organisations, salary verification, integrity check and the like. It is a judicious mix of intelligent telephone calls and physical movement by the service providers, who often need to travel as far as Andaman and Nicobar Islands for such authentication as there is often an insistence on written verification.

No screening can and does take place without the consent of the individual concerned, which may otherwise amount to prying. The depth of screening depends on the level of seniority; for instance, a CEO will have more baggage to be scanned than a process executive. The charges too, which could start at Rs 3,000, can go up to Rs 30,000 depending on the level of investigation required.

Companies that have undergone this process claim that not only has the quality of hire scaled up, there has been a sharp fall in attrition rate and falsification too. Hill and Associates India, a security and risk consultancy, vouches for how the rate of bad hires for one of its IT clients went down from 30 per cent to 18 per cent. It does close to 1,000 checks a month as against Quest Research whose numbers average around 10,000 every month.

Source: *Business Today*, August 29, 2004, p. 26.

EVALUATION AND CONTROL

Evaluation and control is necessary as considerable costs are incurred in the recruitment process. The costs generally incurred are:[28]

1. Salaries for recruiters.
2. Management and professional time spent on preparing job description, job specifications, advertisements, agency liaison, and so forth.
3. Cost of advertisements or other recruitment methods, that is, agency fees.
4. Cost of producing supporting literature.
5. Recruitment overheads and administrative expenses.
6. Costs of overtime and outsourcing while the vacancies remain unfilled.
7. Cost of recruiting suitable candidates for the selection process.

Questions should always be asked as to whether the recruitment methods used are valid and whether the recruitment process itself is effective.

Statistical information on the cost of advertisements, time taken for the process, and the suitability of the candidates for consideration in the selection process should be gathered and evaluated. However, exercises seem to be seldom carried out in practice.

Evaluation of Recruitment Process

The recruitment process has the objective of searching for and obtaining applications from job-seekers in sufficient numbers and quality. Keeping this objective in mind, the evaluation might include:

1. Return rate of applications sent out.
2. Number of suitable candidates for selection.
3. Retention and performance of the candidates selected.
4. Cost of the recruitment process.
5. Time lapsed data.
6. Comments on image projected.

Evaluation of Recruitment Methods

The evaluation of recruitment methods might include:

1. Number of initial enquiries received which resulted in completed application forms.
2. Number of candidates at various stages of the recruitment and selection process, especially those shortlisted.
3. Number of candidates recruited.
4. Number of candidates retained in the organisation after six months.

PHILOSOPHIES OF RECRUITING

The traditional philosophy of recruiting has been to get as many people to apply for a job as possible. A large number of jobseekers waiting in queues would make the final selection difficult, often resulting in wrong selections. Job dissatisfaction and employee turnover are the consequences of this.

A persuasive agreement can be made that matching the needs of the organisation to the needs of the applicants will enhance the effectiveness of the recruitment process. The result will be a work force which is likely to stay with the firm longer and performs at a higher level of effectiveness. Two approaches are available to bring about this match. They are—**(i)** realistic job preview (RJP), and **(ii)** job compatibility questionnaire (JCQ).

Realistic Job Previews

Realistic job preview (RJP) provides complete job-related information, both positive and negative, to the applicants. The information provided will help jobseekers to evaluate the compatibility among the jobs and their personal ends before hiring decisions are made. RJPs can result in self-selection process—job applicants can decide whether to attend the interviews and tests for final selection or withdraw themselves in the initial stage. Figure 6.6 contrasts some of the outcomes that can develop from traditional and realistic job previews.

Realistic job preview (RJP) provides complete job-related information (both positive and negative) to the applicants so that they can make right decisions before taking up jobs.

Research on realistic recruiting shows a lower rate of employee turnover in case of employees recruited through RJPs, particularly for more complex jobs and higher levels of job satisfaction and performance, at the initial stages of employment. RJPs are

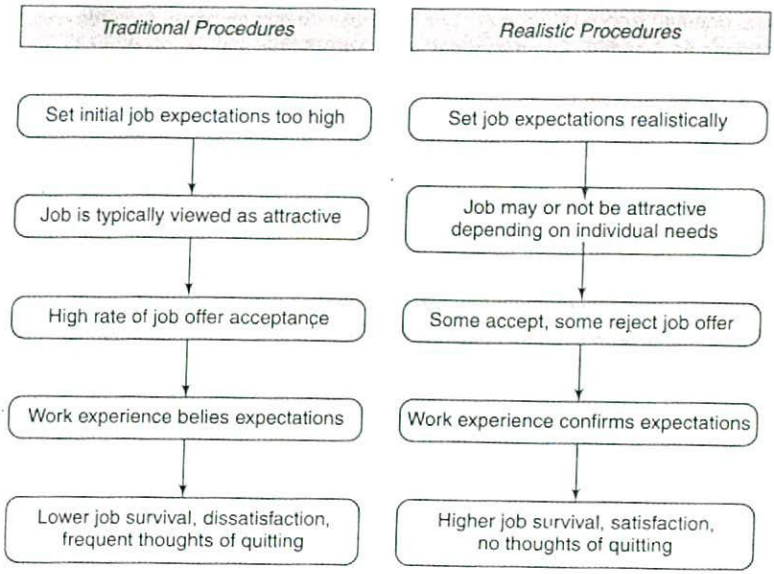


Fig. 6.6 Typical Consequences of Job Previews

more beneficial for organisations hiring at the entry level, when there are innumerable applicants per position, and under conditions of relatively low unemployment. Otherwise, the approach may increase the cost of recruiting by increasing the average time it takes to fill each job.[29]

Job Compatibility Questionnaire

The Job Compatibility Questionnaire (JCQ) was developed to determine whether an applicant's preferences for work match the characteristics of the job. The JCQ is designed to collect information on all aspects of a job which have a bearing on employee performance, absenteeism, turnover and job satisfaction. The underlying assumption of the JCQ is that the greater the compatibility between an applicant's preferences for a job and the characteristics of the job as perceived by the jobseeker, the greater the probability of employee effectiveness and longer the tenure.

The JCQ is a 400-item instrument that measures job factors which are related to performance, satisfaction, turnover and absenteeism. Items cover the following job factors: task requirements, physical environment, customer characteristics, peer characteristics, leader characteristics, compensation preferences, task variety, job autonomy, physical demands, and work schedule.

The JCQ is administered to jobseekers who are very familiar with either a specific position to be filled and/or a target job under study. Respondents are asked to indicate the extent to which each JCQ item is descriptive of the job or position under study.

ALTERNATIVES TO RECRUITMENT

Companies search for alternatives to recruitment because of the cost of recruiting. Three such alternatives to recruitment are overtime, employee leasing and temporary employment.[30]

Overtime When demand for product peaks, firm seeks to make present employees work overtime, instead of recruiting new hands. Overtime can also provide employees with additional income. But overtime results in fatigue, increased accidents and more absenteeism. These developments and the need to pay double the wages add to the cost.

Employee Leasing Often called "staff outsourcing", employee leasing involves paying a fee to a leasing company or a consulting firm that handles payroll, employee benefits and routine HR functions for the client company. Leasing is particularly useful to small and medium sized firms that might not be able to maintain regular HR staff.

Temporary Employment One of the effects of downsizing is the use of employees on temporary basis. Historically, temporary employment agencies were seen only as sources of semi-skilled clerical help during peak work periods. Today, "just-in-time" employees can be found staffing all types of jobs in companies, including professional, technical and executive positions.

The benefits of using temporary staff include relatively low labour costs, easy access to experienced labour and flexibility in responding to future changes in the demand for workers. A disadvantage of hiring temporary help is that these individuals do not know the culture or work flow of the firm. This unfamiliarity detracts from their commitment to organisational goals.

SUMMARY

Recruitment is the process of searching for and obtaining applications so as to build a pool of job seekers from whom the right people for the right jobs may be selected.

The purpose of recruitment is to build a pool of applicants. Recruitment represents the first contact a company makes with potential employees. Recruitment done well will result in better selection.

Both external as well as internal factors would govern the recruitment process. Demand and supply of specific skills, unemployment rate, labour-market conditions, legal and political considerations, and the company's image are the external factors. Among the internal factors are recruiting policy of the organisation, decision to have temporary and part-time employees, HRP, size of the organisation, cost of recruitment, and growth and expansion phase.

Recruitment is a five-step process. The steps are—**(i)** planning, **(ii)** strategy development, **(iii)** searching, **(iv)** screening, and **(v)** evaluation and control.

The philosophy of attracting as many applicants as possible for given jobs guided recruitment activities in the past. These days the emphasis is on matching the needs of the firm to the needs of the applicants. This would minimise employee turnover and enhance satisfaction. Realistic job preview and job compatibility questionnaire help achieve this.

KEY TERMS

Employee leasing
E-recruiting
External recruitment
Internal recruitment
JCQ
Job posting
Philosophy of recruitment
Recruitment
RJP
Screening
Searching
TLD
Yield ratios

REVIEW QUESTIONS

1. Define recruitment. Bring out its purpose and importance.
2. Bring out the factors which influence recruitment.
3. Bring out the internal sources of recruitment.
4. Explain the external sources of recruitment.
5. Explain the recruitment process.
6. What are the philosophies of recruitment?
7. How are yield ratios used in recruitment?

DISCUSSION QUESTIONS

1. Why is it important for organisations to do an effective job of recruiting?
2. Why is it important for recruiters to have a thorough understanding of labour markets and how they work?
3. How can a company determine if its recruitment processes are working effectively?
4. What are the advantages and disadvantages of the various external recruitment sources? How do they compare with the internal sources?
5. Suppose a key employee has just resigned and you are the department manager. After you have sent your request for replacement, how could you help the recruiter to find the best replacement?
6. Write a recruitment ad for a job you have held.
7. Where would you run this ad? Explain.
8. What are your views on having some form of temporary or leased employees instead of having permanent ones?
9. How and why recruitment methods be evaluated?

Closing Case

A Tale of Twists and Turns

Rudely shaken, Vijay came home in the evening. He was not in a mood to talk to his wife. Bolted inside, he sat in his room, lit a cigarette, and brooded over his experience with a company he loved most.

Vijay, an M.Com and an ICWA, joined the finance department of a Bangalore-based electric compnay (Unit 1), which boasts of an annual turnover of Rs. 400 crores. He is smart, intelligent, but conscientious. He introduced several new systems in record-keeping and was responsible for cost reduction in several areas. Being a loner, Vijay developed few friends in and outside the organization. He also missed promotions four times though he richly deserved them.

G.M. Finance saw to it that Vijay was shifted to Unit 2 where he was posted in purchasing. Though purchasing was not his cup of tea, Vijay went into it whole hog, streamlined the purchasing function, and introduced new systems, particularly in vendor development. Being honest himself, Vijay ensured that nobody else made money through questionable means.

After two years in purchasing, Vijay was shifted to stores. From finance to purchasing to stores was too much for Vijay to swallow.

He burst out before the unit head, and unable to control his anger, Vijay put in his papers too. The unit head was aghast at this development but did nothing to console Vijay. He forwarded the papers to the V.P.Finance, Unit 1.

The V.P. Finance called in Vijay, heard him for a couple of hours, advised him not to lose heart, assured him that his interests would be taken care of and requested him to resume duties in purchaing in Unit 2. Vijay was also assured that no action would be taken on the papers he had put in.

Six months passed by. Then came the time to effect promotions. The list of promotees was announced and to his dismay, Vijay found that his name was missing. Angered, Vijay met the unit head who cooly told Vijay that he could collect his dues and pack off to his house for good. It was great betrayal for Vijay.

Question

What should Vijay do?

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22. *Ibid.,* p. 122.
23. Herbert G. Heneman III, *et al., op. cit.,* p. 240.
24. *Ibid.,* p. 240.
25. *Ibid.,* p. 242.

26. *Ibid.*, p. 242.
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CHAPTER 7

Selecting Human Resources

LEARNING OBJECTIVES

After reading this chapter you should have a good understanding of:

- The nature of selection and appreciate its role in organisational effectiveness
- The selection process, demarcate the stages and describe each step
- The new methods of selection and understand their implications
- The selection practices in India

Opening Vignettes

FAKE CVs—A HEADACHE FOR IT AND BPO MAJORS

The problem of 'fake CVs' seems to be getting bigger for the Indian IT industry. Hyderabad-based IT major Satyam Computers is learnt to have terminated the services of at least 500 people in the past year because they had fudged their documents.

When contacted Satyam VP-HR Mukund Menon told ET, 'It is true that we have asked about 500 people to leave after finding fabricated documents in their applications. However, this is not in one shot but over a period of one year or so. "He added that there was no particular region or institute from where these candidates came and that "it's happened in all our locations." However, Satyam hasn't filed any cases or taken legal action against the terminated candidates.

According to Mr.Menon, the company has been doing background checks on all candidates who joined Satyam for the last 12–18 months and engaged a verification agency for the purpose. The process is generally done within 15–21 days from when an offer letter is given. "In case there is any discrepancy, we give seven days time to the candidate to clarify things and then do a re-verification. Based on the findings, we terminate their services. In most cases, the candidates have confessed to fudging the documents."

Most of the incidents were in the lower level of employees—mostly in the 2–4 year experience level and some in the 4–8 year bracket. Mr.Menon said the fudgings were basically in the degree certificates/ technical qualification or work experience. Asked if there was a solution to this increasing problem for the Indian IT industry, he says that Nasscom's skills registry was the way out but it is a long-term answer.

In another instance recently, HSBCs BPO unit in Hyderabad has also reportedly sacked a few employees for giving fake CVs while joining the company. A bank spokesperson declined to comment when

contacted. IT companies in the last couple of years have been quietly terminating the employment of people who have been found to have fabricated their documents. These include big IT majors like IBM India, Infosys and TCS. However, in March last year, Wipro Technologies not just fired some employees for faking their CVs but also filed police complaints against several recruitment agencies in Andhra Pradesh and Chennai for helping those employees falsify CV information.

Experts say that manipulation of resumes, especially in collaboration with recruitment firms and sometimes with HR-related employees of IT companies, is assuming alarming proportions in the country. A KPMG study-India Fraud Survey Report 2006—which covered over a thousand organisations across India, said 15–24% of CVs in India are fake and one out of three CVs misrepresent facts. The study found that the IT, financial, entertainment and telecom sectors face the highest risk.[1]

STAR PERFORMER TURNED A FRAUDSTER

Anand Shrivatsav was appointed as the Director Transition at Vizon, a multinational BPO based in Bangalore.

Earlier, Anand was referred by another employee Gagan Sharma, the CFO of Vizon. Anand and Gagan are childhood friends. Being an internal referral, the company called Anand for an interview. He came with impressive credentials. He was a BE and an MBA from the US and worked in a few leading multinationals in Delhi for over 14 years.

After a number of interviews, both in India and video interviews with the parent company in the US, Anand was found to be an impressive candidate and Vizon found him to be an exact fit for what they were looking for. Vizon decided to make Anand an offer. The offer was generous in that they gave him a 50% hike over and above what he was currently getting, plus a joining bonus and relocation expenses.

Vizon wanted Anand to join immediately as they had to transit a few projects into India and wanted him to handle the transition of those projects. However, Anand had to give two months notice to his current employer. Vizon agreed to pay off Anand's notice period so that he could join immediately.

Anand joined Vizon within 10 days and was immediately sent to the US for one month training. In the interim, Anand's family shifted to Bangalore from Delhi. Vizon arranged for accommodation for the family, got his children into Bangalore's best schools and made sure they were well looked after.

Anand excelled in his training and came back to India with a number of excellent ideas. Over the next three months, Anand travelled to the US and Europe to transit four major processes for Vizon into Bangalore. He earned a reputation of being an achiever and someone who could get things done.

On the completion of six months, Anand was confirmed and was given another 15% hike as a confirmation bonus. The CEO of Vizon-India was extremely pleased with Anand's performance and called the senior management team and their wives to his house for dinner and felicitated Anand. Anand's wife had found new friends among the senior managers' wives at Vizon. Anand's kids loved their new school and formed close friendship with other children in the apartment complex, and also had a few Vizon children amongst their group of friends. Things could not be better for Anand and his family.

Over the six months that Anand was in Vizon, the HR department did the routine reference and document check that is required for senior management through a third party company called Adar Screens. Adar is globally renowned for their knowledge and thoroughness in background checks and is hired by leading corporates across the globe to examine the credentials of executives.

During their check, Adar found that the information regarding Anand's MBA was false and that he was not enrolled in the MBA college in which he claimed to have studied in the US.

Adar presented this information to the head of HR at Vizon, who in turn took the details to the CEO of Vizon.

The CEO initially doubted the veracity of Adar's information but when presented with evidence realised that it was true, and that Anand had lied about his educational qualifications.

The CEO was now in a dilemma. Four of Vizon's largest clients had Anand as the key account manager, in addition he had given Anand a position of prominence within the company and on many occasions made it known that Anand was his blue-eyed boy.

On a previous occasion Vizon had discharged a junior employee who provided false information in his application. However, that was used more as an excuse, as the employee was not performing well and Vizon was looking for a way to get rid of him peacefully.

However, in Anand's case he was a top performer and liked by the rest of the team.[1(a)]

Next to recruitment, the logical step in the HR process is selection of qualified and competent people. This chapter is devoted to a detailed explanation of selection and its process.

NATURE OF SELECTION

Selection is the process of picking individuals (out of the pool of job applicants) with requisite qualifications and competence to fill jobs in the organisation.

Selection is the process of differentiating between applicants in order to identify and hire those with a greater likelihood of success in a job.

Although, some selection methods can be used within an organisation for promotion or transfer, this chapter focuses on selecting applicants from outside the organisation.

Recruitment and selection are the two crucial steps in the HR process and are often used interchangeably. There is, however, a fine distinction between the two steps. While recruitment refers to the process of identifying and encouraging prospective employees to apply for jobs, selection is concerned with picking the right candidates from a pool of applicants. Recruitment is said to be positive in its approach as it seeks to attract as many candidates as possible. Selection, on the other hand, is negative in its application inasmuch as it seeks to eliminate as many unqualified applicants as possible in order to identify the right candidates.[2] As stated in the previous chapter, the term recruitment is widely used to refer to the whole process of employee hiring.

SELECTION AS A SOURCE OF COMPETITIVE ADVANTAGE

The role of selection in an organisation's effectiveness is crucial for at least, two reasons. First, *work performance* depends on individuals. The best way to improve performance is to hire people who have the competence and the willingness to work. Arguing from the employee's viewpoint, poor or inappropriate choice can be demoralising to the individual concerned (who finds himself or herself in the wrong job) and de-motivating to the rest of the work force. Effective selection, therefore, assumes greater relevance.

Second, *cost* incurred in recruiting and hiring personnel speaks volumes about the role of selection. Here is one instance to prove how expensive recruitment has become. Pepsi had gone on a crash recruitment drive. Six people from the company took over the entire Oberoi Business Centre in Mumbai for six days; 3000 applications in response to an advertisement issued earlier were scanned; applicants were asked to respond by fax within 100 hours; finally, the shortlisted persons were flown in and interviewed. Quite an expensive affair by any standard! In the US, it is much more expensive. The cost of searching for and training a top-level executive may run into $ 2,50,000.

As was pointed out in the previous chapter, consultants charge fees ranging from 20 to 50 per cent of the first year's salary of an employee selected. Assuming a manager is assured of a compensation of Rs 2 lakh the retainer's fee works out to be Rs 40,000 to Rs 1,00,000.

Costs of wrong selection are much greater. Figure 7.1 shows four possible outcomes of a selection decision. Two of these—'true positive' ('high hit') and 'true negative' ('low hit')—are right selection decisions. The other two outcomes represent selection errors. In the 'false positive error', a decision is made to hire an applicant based on predicted success, but failure results. In 'false negative error', an applicant

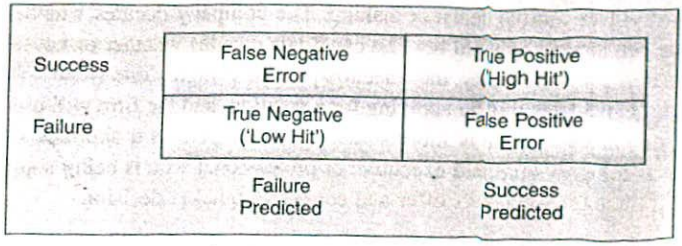


Fig. 7.1 Outcomes of the Selection Decision

Source: Thomas H. Stone, *Understanding Personnel Management*, p. 175.

False negative error means rejection of an applicant who would have succeeded. In **false positive error** an applicant is selected expecting success, but failure occurs. **True positive** results when a candidate is hired expecting success and success results. In **true negative**, failure is predicted and it happens.

who would have succeeded is rejected based on predictions of failure. In either case, selectors will have erred. They may remember that the selection successes will be written in sand and failures in stone.

A company with a false positive error incurs three types of costs. The first type is incurred while the person is employed. This can be the result of production or profit losses, damaged company reputation, accidents due to negligence, absenteeism, and the like. The second type of costs is associated with the training, transfer or terminating the services of the employee. Costs of replacing an employee with a fresh one—costs of hiring, training and replacement—constitute the third type of costs. Generally, the more important the job, the greater the cost of the selection error.

In the case of false negative error, an applicant who would have succeeded is rejected because of predicted failure. Most false negative errors go unnoticed except when the applicant belongs to a reserved category and files a discrimination charge. Costs associated with this type of error are generally difficult to estimate.[3]

A careful selection will help a firm avoid costs associated with both false positive error as well as false negative error.

ORGANISATION FOR SELECTION

Until recently, the basic hiring process was performed in a rather unplanned manner in many firms. In some companies, each department screened and hired its own employees. Many managers insisted upon selecting their own people because they were sure no one else could choose employees for them as efficiently as they themselves could. Not any more. Selection is now centralised and is handled by the human resource department. This arrangement is preferable because of the following advantages:[4]

1. It is easier for the applicant because they can send their applications to a single centralised department/agency.
2. It facilitates contact with applicants because issues pertaining to employment can be cleared through one central location.
3. It helps operating managers to concentrate on their operating responsibilities. This is especially helpful during peak hiring periods.
4. It can provide for better selection because hiring is done by specialists trained in staffing techniques.
5. The applicant is better assured of consideration for a greater variety of jobs.
6. Hiring costs may be cut because duplication of effort is minimised.
7. With increased government regulations on the selection process, it is important that people who know about these rules handle a major part of the selection process.

Ideally, a selection process involves mutual decision making. The company decides whether or not to make a job offer and how attractive the offer should be. The candidate decides whether or not the firm and the job offer fit his or her needs and goals. In reality, the selection process is highly one-sided. When the job market is extremely tight, several candidates will be applying for a position, and the firm will use a series of screening devices to hire the candidate it feels is most suitable. When there is a shortage of qualified workers, or when the candidate is a highly qualified executive or professional who is being sought after by several companies, the firm will have to sweeten its offer and come to a quicker decision.

SELECTION PROCESS

Selection is a long process, commencing from the preliminary interview of the applicants and ending with the contract of employment. Figure 7.2 shows a generalised selection process. In practice, the process differs among organisations and between two different jobs within the same company. Selection procedure

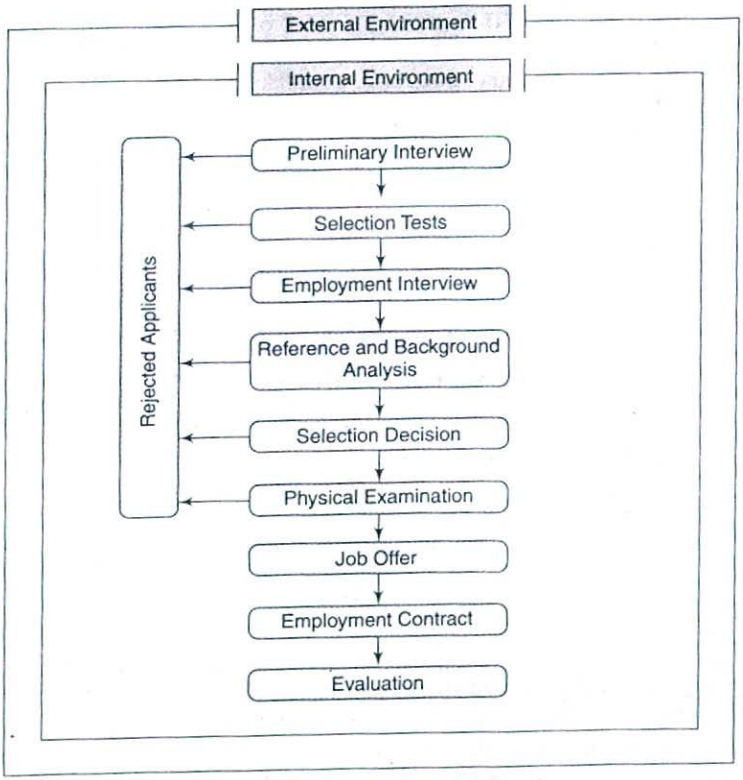


Fig. 7.2 Selection Process

Source: Adapted from *Personnel—The Management of Human Resources* by R. Wayne Mondy and Robert M. Noe III, p. 156.

for senior managers will be long-drawn and rigorous, but it is simple and short while hiring shop-floor workers.

Environmental Factors Affecting Selection

Selection is influenced by several factors. More prominent among them are supply and demand of specific skills in the labour market, unemployment rate, labour-market conditions, legal and political considerations, company's image, company's policy, HRP, and cost of hiring. The last three constitute the internal environment and the remaining form the external environment of the selection process.

Preliminary Interview

In the previous chapter, it was stated that the applications received from job seekers would be subject to scrutiny so as to eliminate unqualified applicants. This is usually followed by a preliminary interview the purpose of which is more or less the same as scrutiny of applications, that is, elimination of unqualified applications. Scrutiny enables the HR specialists to eliminate unqualified job seekers based on the information supplied in their application forms. Preliminary interview, on the other hand, helps reject misfits for reasons, which did not appear in the application forms. Besides, preliminary interview, often called 'courtesy interview', is a good public relations exercise.

Selection Tests

Job seekers who pass the screening and the preliminary interview are called for tests. Different types of tests may be administered, depending on the job and the company. Generally, tests are used to determine the applicant's ability, aptitude and personality. *Ability tests* (also called achievement tests) assist in determining how well an individual can perform tasks related to the job. An excellent illustration of this is the typing test given to a prospective employee for a secretarial job. An *aptitude test* help determine a person's potential to learn in a given area. An example of such a test is the General Management Aptitude Test (GMAT) which many business students take prior to gaining admission to a graduate business school programme.[5]

Personality tests are given to measure a prospective employee's motivation to function in a particular working environment.

There are various tests designed to assess a candidate's personality. The Bernsenter Personality Inventory, for example, measures one's self-sufficiency, neurotic tendency, sociability, introversion and extroversion, locus of control, and self-confidence. The Thematic Apperception Test (TAT) assesses an individual's achievement and motivational levels. Other personality tests, such as the California Psychological Inventory (CPI), the Thurstone Temperament Survey (TTS), Minnesota Multiphasic Personality (MMPI), and Guilford–Zimmerman Temperament Survey, have been designed to assess specific personality traits.

Interest tests are used to measure an individual's activity preferences. These tests are particularly useful for students considering many careers or employees deciding upon career changes.

Graphology test is designed to analyse the handwriting of an individual. It has been said that an individual's handwriting can suggest the degree of energy, inhibitions and spontaneity, as well disclose the idiosyncracies, and elements of balance and control. For example, big letters and emphasis on capital letters indicate a tendency towards

Graphology is a test that seeks to predict success or failure through one's handwriting. It is vastly used in the U.S. but is yet to make its presence felt in India.

domination and competitiveness. A slant to the right, moderate pressure and good legibility show leadership potential. Employers usually consult graphologists to supplement their usual personnel recruitment procedures (also read Exhibit 7.1). *Polygraph tests* (polygraph is a lie detector) are designed to ensure accuracy of the information given in the applications. Department stores, banks, treasury offices and jewellery shops—that is those highly vulnerable to theft or swindling—may find polygraph tests useful.

Exhibit 7.1 ***The Graphology Technique***

First used by French priest, Jean-Hippolyte Michon, in 1830, graphology as a selection devise is hailed by some and derided by others. Its application to hiring of people is not a settled issue. But it can provide rich insights into all those facts about a candidate that conventional interviews, group discussions and other tests cannot.

The modern science of graphology owes its origins to the theory of space symbolism, which proposes that a person uses a blank sheet of paper in exactly the same way as he/she uses three dimensional space.

For instance, an individual who uses every inch of the paper will normally explore every nook and corner of a new room he/she finds himself/herself in. Extending the analogy to handwriting, graphologists contend that the way in which an individual's script uses space reflects his/her interactions with others in real space and, thus, provides a clue to his/her personality.

Graphologists look to slant, speed, spacing, pressure, clarity, size, length of upper extensions and size and length of lower loops of script to gauge one's personality.

Graphology as a selection devise has its merits as stated below:

- Measures the match between personality and job
- Suggests jobs that suit the candidate best
- Reveals characteristics that other tests cannot
- Gauges personality without candidate's awareness
- Insight can be validated by other measurements

As a selection technique, graphology has its demerits. Some of them are:

- Scepticism about accuracy of findings persist
- Lack of scientific basis discourages the use of this method
- Depends entirely on the analyst's interpretation
- Generalises without considering candidate's background
- Can be misleading if not validated by others tests.

Graphology is widely used in Europe and to a lesser extent in the US. It is conspicuous by its absence from the hiring techniques of corporate India.

Source: *Business Today*, Jan. 7–21, 1996.

Medical tests reveal physical fitness of a candidate. With the development of technology, medical tests have become diversified. *Drug tests* help measure the presence of illegal or performance-affecting drugs. *Genetic screening* identifies genetic predispositions to specific medical problems. Medical servicing helps measure and monitor a candidate's physical resilience upon exposure to hazardous chemicals (read Table 7.1 for some more tests).

? **Pause and Ponder**

Have one more column to the left of Table 7.1. Against each test, state, in the column, which job is best fit for the application of the test. Give reasons for your listing.

Table 7.1 **Interesting Selection Tests**

Test	*Description*
WAB	Eliciting candidate's responses to specific questions
BIB	Assessing candidate's responses to the background
TAT	Gauging the need for achievement and power
SLC	Assessing attitude towards importance of safety
Self-report Inventory	Asking for short statements relating to personality
Thomas Profiling	Identifying behavioural requirements for the job
PA Reference Inventory	Behaviour in work place *vs* general behaviour
Delbin Team Role	Measuring ability to be a team player
Gordon Inventory	Measuring mental and personal profile
Myers–Briggs Indicator	Understanding personality type
Meta Motivation	Assessing personal and management style
David's Battery	Assessing technical dexterity
Guilford–Zimmerman	Gauging extent of temperamental adaptability
Minnesota Multiphase	Identifying traits of aberrant behaviour
Test	*Description*
Kuder Preference Record	Measuring occupational interests
16 PF	Measuring personality factors
ISA	Measuring verbal and mathematical skills
Wonderlic Personnel	Assessing analytical and verbal skills
Bennet Mechanical	Measuring ability to understand
LGD	Group discussion between sets of candidates
Work Sample	Test of ability to handle functional problems

Source: Adapted from *Business Today*, Jan. 7–21, 1996.

Choosing Tests Tests must be chosen based on the criteria of reliability, validity, objectivity and standardisation.

Reliability refers to standardisation of the procedure of administering and scoring the test results. A person who takes a test one day and makes a certain score should be able to take the same the next day or the next week and make more or less the same score. An individual's intelligence, for example, is generally a stable characteristic. So if we administer an intelligence test, a person who scores 110 in March would score close to 110 if tested in July. Tests which produce wide variations in results serve little purpose in selection.

Validity is a test which helps predict whether a person will be successful in a given job. A test that has been validated can be helpful in differentiating between prospective employees who will be able to perform the job well and those who will not. Naturally, no test will be 100 per cent accurate in predicting job success. A validated test increases possibility of success.[6]

There are three ways of validating a test. The first is *concurrent validity*. This involves determining the factors that are characteristic of successful employees and then using these factors as the yardsticks.

Predictive validity involves using a selection test during the selection process and then identifying the successful candidates. The characteristics of both successful and less-successful candidates are then identified.[7] *Synthetic validity* involves taking parts of several similar jobs rather than one complete job to validate the selection test.

Benefits of a validated test are obvious from Fig. 7.3. Individuals who score 40 and above are successful employees. Those who score less than 40 are unsuccessful. As noted from the figure, the test is not absolutely accurate. A small number of workers who score below 40 are good workers. Also, some applicants scoring above 40 are less successful.[8]

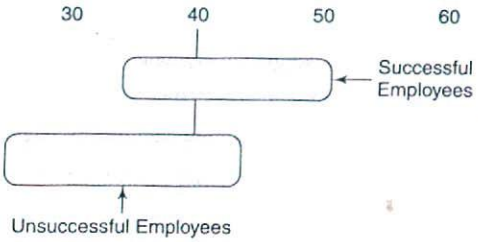


Fig. 7.3 Results of a Validated Test

Source: R. Wayne Mondy and Robert M. Noe III, *Personnel: The Management of Human Resources*, p. 176.

Hence, test results should serve as only one of several criteria in the selection decision.

When two or more people can interpret the results of the same test and derive the same conclusion(s), the test is said to be *objective*. Otherwise, the test evaluators' subjective opinions may render the test useless. Subjectivity of this kind nullifies the purpose of objectivity and is the reason why some tests are not valid.[9]

A test that is *standardised* is administered under standard conditions to a large group of persons who are representatives of the individuals for whom it is intended. The purpose of standardisation is to obtain norms or standards, so that a specific test score can be meaningful when compared to other scores in the group. When a test is standardised, it is administered to a large number of people who are performing similar tasks.[10]

Employment Interview

The next step in the selection process is employment interview. As seen in Fig. 7.2, an interview is conducted at the beginning and at the end of the selection process. The emphasis here is on the latter.

Interview is a formal, in-depth conversation conducted to evaluate the applicant's acceptability. It is considered to be an excellent selection device. Its popularity stems from its flexibility. Interview can be adapted to unskilled, skilled, managerial and professional employees. It allows a two-way exchange of information, the interviewers learn about the applicant, and the applicant learns about the employer.[11]

However, interviews do have shortcomings. *Absence of reliability* is one limitation. No two interviewers offer similar scoring after interviewing an applicant. *Lack of validity* is another limitation. This is because, few departments use standardised questions upon which validation studies can be conducted. Finally, *biases of interviewers* may cloud the objectivity of interviews.

The employment interview can be **(i)** one-to-one **(ii)** sequential, or **(iii)** panel[12] (*see* Fig. 7.4).

In the *one-to-one interview* (Fig. 7.4(a)), there are only two participants—the interviewer and the interviewee. This can be the same as the preliminary interview discussed earlier. The *sequential interview* (Fig. 7.4(b)) takes the one-to-one a step further and involves a series of interviews, usually utilising the

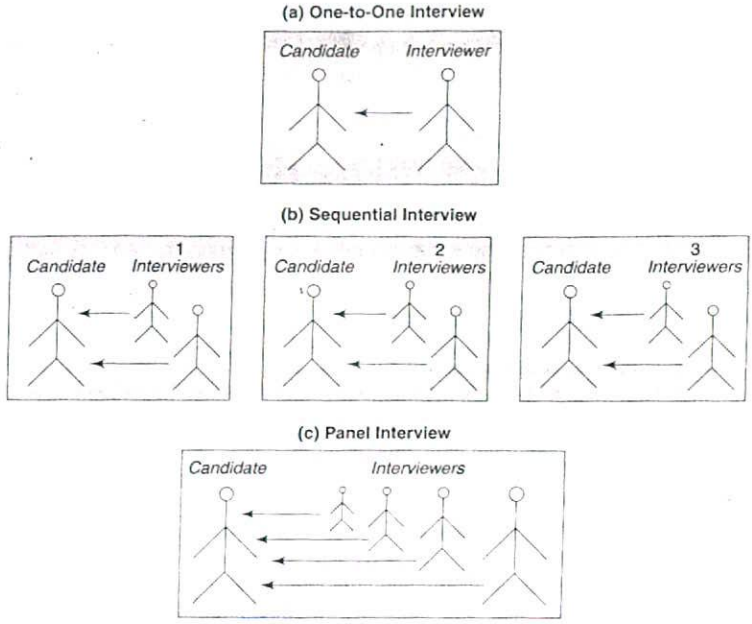


Fig. 7.4 Types of Employment Interviews

strength and knowledge-base of each interviewer, so that each interviewer can ask questions in relation to his or her subject area of each candidate, as the candidate moves from room to room.

The *panel interview* (Fig. 7.4(c)) consists of two or more interviewers and the figure may go up to as many as 15. Any panel interview is less intimate and more formal than the one-to-one, but if handled and organised well, it can provide a wealth of information. If not handled carefully, the panel interview can make the candidate feel ill at ease and confused about whose question to answer and whom to address. Interviewers themselves are likely to experience nightmare, not knowing who will ask which question and in what order.

Objectives of Interviews Interview has at least three objectives—**(i)** helps obtain additional information from the applicant; **(ii)** facilitates giving general information to the applicant such as company policies, job, products manufactured and the like; and **(iii)** helps build the company's image among the applicants.

Types of Interview Interviews can be of different types. The usual types are structured, unstructured, mixed, behavioural and stress-producing. Table 7.2 compares these different types.

Table 7.2 **Types of Interview**

Type	*Type of Questions*	*Usual Applications*
Structured	A predetermined checklist of questions, usually asked of all applicants.	Useful for valid results, especially when dealing with large number of applicants.

(Contd.)

(*Contd*)

Unstructured	Few, if any, planned questions. Questions are made up during the interview.	Useful when the interviewer tries to probe personal details of the candidate to analyse why they are not right for the job.
Mixed	A combination of structured and unstructured questions, which resembles what is usually done in practice.	A realistic approach that yields comparable answers plus indepth insights.
Behavioural	Questions limited to hypothetical situations. Evaluation is based on the solution and approach of the applicant.	Useful to understand applicant's reasoning and analytical abilities under modest stress.
Stressful	A series of harsh, rapid fire questions intended to upset the applicant.	Useful for stressful jobs, such as handling complaints.

Source: William B. Werther and Keith Davis, *Human Resources and Personnel Management*, p. 243.

In a *structured* interview, the interviewer uses a preset standardised questions which are put to all the interviewees. This interview is also called 'guided' or 'patterned' interview. In an *unstructured* interview, also known as 'unguided' or 'unpatterned' interview, the interview is largely unplanned and the interviewee does most of the talking. Unguided interview is advantageous inasmuch as it leads to a friendly conversation between the interviewer and the interviewee and in the process, the latter reveals more of his or her desires and problems. But the unpatterned interview lacks uniformity and, worse, this approach may overlook key areas of the applicant's skills or background.

In **structured interview**, the interviewer uses a preset standardised questions which are put to all applicants, while in the **unstructured interview**, rarely questions are put by the interviewers. Interviewee does most of the talking.

In practice, a blend of structured and unstructured questions is used by the interviewer while interviewing the job seekers. This approach is called the *mixed* interview. The structured questions provide a base of information that allows comparisons between candidates. But the unstructured questions make the interview more conventional and permits greater insights into the unique differences between applicants. *Behavioural* interviewing focuses on a problem or a hypothetical situation that the applicant is expected to solve. Often, these are hypothetical situations, and the applicant is asked what she/he would do in the given circumstances. This interview technique has a limited scope. It primarily reveals the applicant's ability to solve the types of problem presented. Validity is more likely if the hypothetical situations match those found on the jobs. When the job involves much stress, *stress* interview attempts to learn how the applicant will respond to the pressure. This technique is more relevant in jobs involving stress, for example, in the police force. Since stressful situations are usually only a part of the job, this technique should be used along with other approaches.

There are other types of interview, for example *counselling, merit-rating, grievance*, and *exit* interviews. These are mainly non-employment interviews and hence are not explained here.

Common Interview Problems Regardless of the type, several problems are inherent in interviews. Selection specialists must be aware of these problems and need to be trained to overcome them.

1. Interviewers do not seek applicants' information dimensions needed for successful job performance. Often, they do not have a complete job description or an accurate appraisal of the critical job requirements. In addition, the interviewer often does not know the conditions under which the job is performed.
2. Interviewers may make snap judgements early in the interview. Consequently, they block out further potentially useful information.

3. Interviewers permit one trait or job-related attribute to influence their evaluation of the remaining qualities of an applicant. This process, called the *halo effect*, occurs when an interviewer judges an applicant's entire potential for job performance on the basis of a single characteristic, such as how well the applicant dresses or talks.
4. Interviewers have a tendency to be swayed by negative information about the applicants.
5. Information from interviews is not integrated or discussed in a systematic manner. If several interviewers share information on an applicant, they may do so in a haphazard manner. They do not identify job-related information or seek to examine any conflicting information. This casual approach may save time and confrontation, but only in the short run. In the long run, everyone in the company will pay for poor hiring decisions.
6. Interviewers' judgements are often affected by the pressure to favour a candidate or fill the position, hence they lower the standards.
7. Interviewer's judgement regarding an applicant is often affected by the list of available applicants. For example, a good person looks better in contrast to a group of average or below-average applicants.
8. Some other problems are worth recollecting.[13] They are: There is the problem of different cues used by interviewers. Some interviewers may place more weight on certain attributes than others, or they may combine attributes differently, as they make their overall decisions. For instance, some interviewers may give emphasis to educational experiences while many others give weightage to work experiences.
9. Sex, race and attitudes similar to those of the interviewer may lead to favourable evaluations.

Halo effect occurs when an interviewer judges an applicant's entire potential for job performance on the basis of a single trait, such as how the applicant dresses or talks.

Pause and Ponder

Did you, at any time, attend any interview? What was your experience, in particular about the type of questions shot at you, attitude of the interviewers and outcome of the interview?

Steps to Overcome Problems Table 7.3 shows the do's and don'ts which interviewers will do well to remember. Practise the first and avoid the latter while interviewing job seekers.

Table 7.3 **Guidelines to Interviewers**[14]

Do's	*Don'ts*
• Plan the interview	• Start the interview unprepared
• Establish an easy and informal relationship	• Plunge too quickly into demanding questions
• Encourage the candidate to talk	• Ask leading questions
• Cover the ground as planned	• Jump to conclusions on inadequate evidences
• Probe where necessary	• Pay too much attention to isolated strengths or weaknesses
• Analyse career and interests to reveal strengths, weaknesses, patterns of behaviour	• Allow the candidate to gloss over important facts
• Maintain control over the direction and time taken for the interview	• Talk too much

In addition to the do's and don'ts stated above, a few more tips may be remembered so as to make the interview more objective. One such guideline is the type of questions which the interviewer should ask. Table 7.4 contains typical questions.[15] Other guidelines for an effective interview are—(i) always use the structured form, (ii) evaluate the interviewee immediately after the interview, (iii) focus on traits that are most accurately assessed in the interviews, (iv) get the interviewee to talk, and (v) respect the reservation policy of the concerned government.

Table 7.4 **Interview Questions from the Employer**

Openers
- May I see your resume?
- What can I do for you?
- Why are you interested in joining our company?
- What do you think you can do for us?
- What attracts you to us?
- Tell me about your experiences.
- What pay do you have in mind? (Try tactfully to avoid answering this one early in the interview)

Regarding Motivation
- Is your present employer aware of your interest in a job change?
- Why do you want to change your job?
- What caused you to enter your job field?
- Why do you want to change your field of work?
- What would you like to be doing five years from now when you retire?
- What is the ideal job for you?
- If you had complete freedom of choice to be a great success in any job field, which would you choose? Why?

Regarding Education
- Describe your educational qualifications.
- Why did you choose your major?
- What was your class standing?
- What extra-curricular activities did you take part in?
- What honours did you earn?
- What were your average grades?
- Did your grades adequately reflect your full capability? If not, why?
- What courses did you like best/least and why?
- Have you had any special training for this kind of job?

Regarding Experience
- Why should I hire you?
- How do you fit the requirements for this job?
- Who has exercised the greatest influence on you? How?
- What duties performed in the past have you liked best/least and why?
- What are your greatest strengths/limitations for this job?
- What are the strongest limitations you have found in your past supervisors?
- Which supervisor did you like best and why?
- What kind of people appeal most/least to you as work associates?
- How many people have you supervised? What types?
- What are your greatest accomplishments to date?

(*Contd.*)

(*Contd*)

- What equipment can you work on?
- Why have you changed jobs so frequently?
- Have you ever been fired or asked to resign?
- Describe the biggest crisis in your career.
- What were you doing during the period not covered in your resume?
- Why were you out of work for so long?
- What was the specific nature of your illness during the period of your extended hospitalisation?
- Why did you leave your previous jobs?
- Could I see samples of your work?

Regarding Pay

- What do you require?
- What is the minimum pay you will accept?
- What is your pay record for the last five years?
- Why do you believe you are qualified for so much more?
- We can't pay the salary you ask for. Would you be willing to start lower and work towards that figure?
- What do you expect to be earning five years from now?

Reference and Background Checks

Many employers request names, addresses, and telephone numbers or references for the purpose of verifying information and, perhaps, gaining additional background information on an applicant. Although listed on the application form, references are not usually checked until an applicant has successfully reached the fourth stage of a sequential selection process. When the labour market is very tight, firms sometimes hire applicants before checking references.[16]

Previous employers, known public figures, university professors, neighbours or friends can act as references. Previous employers are preferable because they are already aware of the applicant's performance. but, the problem with this reference is the tendency on the part of the previous employers to over-rate the applicant's performance just to get rid of the person.

Companies normally seek letters of reference or telephone references. The latter is advantageous because of its accuracy and low cost. The telephone reference also has the advantage of soliciting immediate, relatively candid comments, and attitudes can sometimes be inferred from hesitations and inflections in speech.[17]

Reference checks serve two important purposes. One purpose is to gain insight about the potential employee from the people who have had previous experience with him or her. This is a good practice considering the fact that between 20 to 25 per cent of job applicants there is at least one fraudster[18] as the opening vignettes show (see also Exhibit 7.2).

The second purpose for reference checks is to assess the potential success of a prospect. Who else can give an objective assessment of an individual than his or her previous employer or a person known to him or her?

But one should guard against the following while considering to employ a prospect:

1. The prospect is likely to approach those persons who would speak well about him or her.
2. People may write favourably about the candidate in order to get rid of him or her.
3. People may not divulge the truth about a candidate, lest it might damage or ruin his or her career.

Exhibit 7.2 ***HR Manager in Soup***

"I have landed myself in soup. For no fault of mine, I am placed in a fix. Do not know how to get over the problem," says Balu, H R Vice President, Xellent, a Bangalore-based software firm.

He is right. Take a look at the facts.

On a fine morning, two months back, Balu received a message from a Mumbai-based consulting firm (specialising in reference checks) enquiring about veracity of reference given by Dinakar who has recently taken up a job at Esperanto, a Chennai-based software company.

Dinakar, while joing Esperanto, claimed that he had worked earlier with Xellent for two years and his last pay drawn was over Rs 25,000 a month. In support of his claim, Dinakar produced service and last pay certificates purported to be issued by Balu. Esperanto referred these documents to the consulting firm, who in turn contacted Balu for a cross-check.

Balu does not remember to have an employee by name Dinakar on the payroll of Xellent. Balu contacted the consulting firm for more details about Dinakar. On being told, Balu phoned up Natarajan, HR manager of Experanto. Natarajan gave address and contact number of Dinakar.

Balu shot a letter to Dinakar, who replied admitting his guilt. Dinakar made clean breast of himself over phone telling how he accessed Balu's letterhead through Internet and how he created certificates to get a job in Esperanto.

Dinakar went on sobbing over the phone, pleading that he comes from a poor family in AP, his father is incapacitated, he was forced to lie to get a job and how this job is essential for him to support his ailing father, crestfallen mother and unmarried sister. Dinakar also warned of committing suicide if Balu proceeded with the investigation.

Balu is indeed in an unenviable position. He cannot proceed against Dinakar though the young man is a fraudster. Any further step would drive the youth to end his life. Nor Natarajan is taking action—worst he is not responding to e-mail or phone calls from Balu. His own boss is after him to know what he has done in the case.[19]

Selection Decision

After obtaining information through the preceding steps, selection decision—the most critical of all the steps—must be made. The other stages in the selection process have been used to narrow the number of candidates. The final decision has to be made from the pool of individuals who pass the tests, interviews and reference checks.[20]

The final decision indeed becomes a daunting task when there are a large number of job-seekers lined up for final selection, as has happened to HR people in Infosys. In 2003, the Bangalore based software giant received one million applications of which only 10,000 were finally hired.

The views of the line manager will be generally considered in the final selection because it is he/she who is responsible for the performance of the new employee. The HR manager plays a crucial role in the final selection.

Physical Examination

After the selection decision and before the job after offer is made, the candidate is required to undergo a physical fitness test. A job offer is, often, contingent upon the candidate being declared fit after the physical examination. The results of the medical fitness test are recorded in a statement and are preserved in the personnel records. There are several objectives behind a physical test. Obviously, one reason for a physical test is to detect if the individual carries any infectious diseases. *Second*, the test assists in determining whether an applicant is physically fit to perform the work. *Third*, the physical examination information may

be used to determine if there are certain physical capabilities which differentiate successful and less successful employees.[21] *Fourth*, medical check-up protects applicants with health defects from undertaking work that could be detrimental to themselves or might otherwise endanger the employer's property, *Finally*, such an examination will protect the employer from workers' compensation claims that are not valid because the injuries or illnesses were present when the employee was hired.[22]

Job Offer

The next step in the selection process is job offer (*see* Fig. 7.2) to those applicants who have crossed all the previous hurdles. Job offer is made through a letter of appointment. Such a letter generally contains a date by which the appointee must report on duty. The appointee must be given reasonable time for reporting. This is particularly necessary when he or she is already in employment, in which case the appointee is required to obtain a relieving certificate from the previous employer. Again, a new job may require movement to another city which means considerable preparation and movement of property.

The company may also want the individual to delay the date of reporting on duty. If the new employee's first job upon joining the company is to go on training, the firm may request that the individual delays joining the company until perhaps a week before such training begins. Naturally, this practice cannot be abused, especially if the individual is unemployed and does not have sufficient finances.[23]

Decency demands that the rejected applicants be informed about their non-selection. Their applications may be preserved for future use, if any. It needs no emphasis that the applications of selected candidates must also be preserved for future references.

Contracts of Employment

After the job offer has been made and the candidates accept the offer, certain documents need to be executed by the employer and the candidate. One such document is the *attestation form*. This form contains certain vital details about the candidate which are authenticated and attested by him/her. Attestation form will be a valid record for future reference.

There is also a need for preparing a *contract of employment*. The basic information that should be included in a written contract of employment will vary according to the level of the job, but the following checklist sets out the typical headings:[24]

1. Job title.
2. Duties, including a phrase such as "The employee will perform such duties and will be responsible to such a person, as the company may from time to time direct".
3. Date when continuous employment starts and the basis for calculating service.
4. Rate of pay, allowances, overtime and shift rates, method of payments.
5. Hours of work including lunch break and overtime and shift arrangements.
6. Holiday arrangements:
   (i) paid holidays per year.
   (ii) calculation of holiday pay.
   (iii) qualifying period.
   (iv) accrual of holidays and holiday pay.
   (v) details of holiday year.
   (vi) dates when holidays can be taken.
   (vii) maximum holiday that can be taken at any one time.
   (viii) carryover of holiday entitlement.
   (ix) public holidays.

7. Sickness
   (i) pay for time lost.
   (ii) duration of sickness payments.
   (iii) deductions of national insurance benefits.
   (iv) termination due to continued illness.
   (v) notification of illness (medical certificate).
8. Length of notice due to and from employee.
9. Grievance procedure (or reference to it).
10. Disciplinary procedure (or any reference to it).
11. Work rules (or any reference to them).
12. Arrangements for terminating employment.
13. Arrangements for union membership (if applicable).
14. Special terms relating to rights to patents and designs, confidential information and restraints on trade after termination of employment.
15. Employer's right to vary terms of the contract subject to proper notification being given.

Alternatively called employment agreements or simply bonds, contracts of employment serve many useful purposes. Such contracts seek to restrain jobhoppers, to protect knowledge and information that might be vital to a company's healthy bottomline, and to prevent competitors from poaching highly valued employees.

Great care is taken to draft the contract forms. Often, services of law firms (prominent firms in this category include Mulla, Craigie, Blunt and Caroe, Crawford Bailey, Amarchand Mangaldas Hiralal, etc.) are engaged to get the forms drafted and finalised.

Most employers insist on agreements being signed by newly hired employees. But high employee turnover sectors such as software, advertising and media are more prone to use such contracts. Wipro has been using the bond scheme with positive results. The software major calls the bond scheme as an "agreement with empoyees to stay for 15 months". Under the agreement an employee deposits Rs 75,000 with a bank. The bank makes a lien to Wipro. In case an employee is unable to pay, the bank gives a loan to the employee. The bond period is for 15 months (covering three months training and 12 months work). At the end of the period the employee gets Rs 75,000, a fixed deposit interest for the duration and an additional Rs 6,000 as retention bonus. The company has been doing this for the last several months and already has 1,000 people under this scheme. The result: attrition among campus recruits is down to 3–4 per cent.

The drawback with the contracts is that it is almost impossible to enforce them. A determined employee is bound to leave the firm, contract or no contract. The employee is prepared to pay the penalty for breaching the agreement or the new employer will provide compensation. It is for this reason that several companies have scrapped the contracts altogether. Lintas and Ogilvy and Mather are examples.

Concluding the Selection Process

Contrary to popular perception, the selection process will not end with executing the employment contract. There is another step—a more sensitive one—reassuring those candidates who have not been selected. Such candidates must be told that they were not selected, not because of any serious deficiencies in their personalities, but because their profiles did not match the requirements of the company. They must be told that those who were selected were done purely on relative merit.

Yet another development has taken place—a development that has become a serious concern for HR managers. The issue relates to 'No Shows' by selected candidates. These are the individuals who pass through the selection rigour, receive employment offers, but fail to report to duties. Every competent individual sits on multiple job offers, picks up one and disappoints the remaining employers.

'No Shows' is the consequence of ever increasing job offers. Too many jobs are chasing too few competent people. The rate of 'No Shows' is alarming—ranging from 20 to 50 per cent.

No shows cost money. Most senior level searches take anywhere between four to seven months from getting the mandate to finalising the candidate. The search firms get paid by companies at different stages of selection process. When the candidate backs out, it means starting all over again—time as well as cost overruns for the companies and search firms. It is additional cost for the companies and for the search firms, it is loss of face, business and trust.

Evaluation of Selection Programme

The broad test of the effectiveness of the selection process is the quality of the personnel hired. A firm must have competent and committed personnel. The selection process, if properly done, will ensure availability of such employees. How to evaluate the effectiveness of a selection programme? A periodic audit is the answer. Audit must be conducted by people who work independent of the HR department. Table 7.5 contains an outline that highlights the areas and questions to be covered in a systematic evaluation.

Table 7.5 **Audit of the Selection Programme**

I	*Analysis of the programme* 1. Is the selection programme consistent with the HRM theory and practice? 2. Have well-defined selection policies and procedures been developed? 3. Are the employment policies consistent with the public policy? 4. Do the wage levels, fringe benefits, and level of employee satisfaction within the organisation have a beneficial effect upon the ability to attract and retain good employees?
II	*How adequately are the programme and its procedures communicated to all those involved in and affected by it?*
III	*How well is the programme implemented?* 1. Have those, entrusted with carrying out the employment programme, been adequately trained? 2. Does the performance of the programme match the stated goals? 3. Are policy and procedure manuals developed and utilised?
IV	*Feedback* 1. What image has been created in the minds of university and institute placement officers, and public and private employment agencies by the approach adopted by the company in conducting its hiring programme? 2. Have recently hired employees and rejected applicants been surveyed to gauge the type of treatment they have received in the selection process? 3. How many persons have rejected the company as a poor place to work because of low wages, a poor reputation and so on?
V	*Analysis of results* 1. How well do those hired perform on the job? 2. What percentage of those who apply are hired? 3. Of those hired, what percentage are discharged during the probationary period? What percentage resigned because the job and employment conditions were misrepresented to them? 4. What portion of employee turnover can be attributed to faulty selection? 5. What contribution does each of the selection tools (*i.e.* tests, interviews, medical examinations, etc.) make to the programme? How well do the predictions from each of the selection tools correlate with job success? Have these selection devices been properly validated?

The foregoing questions can serve as a broad guide for a very thorough and intensive analysis and evaluation of the employment programme.

Assessment Centres

One special method of selection increasingly used now-a-days is the assessment centre. An assessment centre is not a physical location but an approach to selecting managers based on measuring and evaluating their ability to perform critical tasks. Assessment centre method is employed to fill managerial positions from within or to hire fresh graduates as management trainees.

An assessment centre may last from two to five days, during which time a group of candidates (usually 6 to 12) takes a series of work sample tests and other selection devices, such as various interviews, tests, exercises and feedback sessions. During the assessment centre schedule, these candidates may undergo experiential exercises, group decision-making tasks, case analyses, individual employment tests, role playing exercises and other methods for assessing their potential skills and abilities.

A panel of line managers drawn from different departments acts as evaluators whose feedback shall be decisive in making selection decision (more on assessment centres in Chapter 10).

BARRIERS TO EFFECTIVE SELECTION

The main objective of selection is to hire people having competence and commitment. This objective is often defeated because of certain barriers. The impediments which check effectiveness of selection are perception, fairness, validity, reliability and pressure.

Perception Our inability to understand others accurately is probably the most fundamental barrier to selecting the right candidate.

Selection demands an individual or a group of people to assess and compare the respective competencies of others, with the aim of choosing the right persons for the jobs. But our views are highly personalised. We all perceive the world differently. Our limited perceptual ability is obviously a stumbling block to the objective and rational selection of people.

Fairness Fairness in selection requires that no individual should be discriminated against on the basis of religion, region, race or gender. But the low numbers of women and other less-privileged sections of the society in middle and senior management positions and open discrimination on the basis of age in job advertisements and in the selection process would suggest that all the efforts to minimise inequity have not been very effective.

Validity Validity, as explained earlier, is a test that helps predict job performance of an incumbent. A test that has been validated can differentiate between the employees who can perform well and those who will not. However, a validated test does not predict job success accurately. It can only increase possibility of success.

Reliability A reliable method is one which will produce consistent results when repeated in similar situations. Like a validated test, a reliable test may fail to predict job performance with precision.

Pressure Pressure is brought on the selectors by politicians, bureaucrats, relatives, friends and peers to select particular candidates. Candidates selected because of compulsions are obviously not the right ones. Appointments to public sector undertakings generally take place under such pressures.

? Pause and Ponder

Pressure was a decisive factor in the selection of a candidate in the past. These are the days of market forces and private sector dominance. Do you think that pressure still works? If yes, where and what type?

SELECTION IN INDIA

Conditions of labour market largely determine the selection process. As is well-known, we have a strange paradox in our country. There is large-scale unemployment juxtaposed with shortage of skilled labour. 'No vacancy' boards are seen along with 'wanted ...' hung on factory gates everywhere. Unemployment prevails among people who are unemployable—individuals who have acquired university degrees but do not possess any specific skills. Matriculates, B.A's, B.Com's and B.Sc's fall into this category. All the evils associated with selection—corruption, favouritism and influence—are found in hiring these people. Selection is, obviously, not systematic and at times bizarre too, as is evident from the following story.

For decades, at least three or four times every year, the municipal grounds of Kothagudem, the bustling mining town in the heart of Andhra Pradesh, has been a witness to a strange event. At the crack of the dawn, a group of men in their late twenties and thirties would line up for a 100-metre dash. The first few to touch the finishing line would be appointed as casual coal fillers in the underground coal mines of Singareni Coal Co. Ltd, for a specific period of time.

Selection practices in hiring skilled and managerial personnel are fairly well-defined and systematically practised. Particularly in hiring managerial personnel and executives, a lot of professionalism has come in, thanks to the realisation that these individuals are difficult to come by and no effort is too excess to attract them. Specialist agencies are available whose services are retained for hiring technical and managerial personnel. Merit and not favouritism, objectivity and not subjectivity will be the criteria for such selections.

Selection of managers is assuming unorthodox dimensions nowadays particularly in talent driven business such as financial services, consulting and software services. One trend is to hire as many executives as possible from a competing firm or to catch one who would bring a few more along with him or her. In the recent past, for example, four Infosians joined Phanesh Murthy (ex-Infosian), CEO, iGate. Ravi Ram joined Mphasis because of his familiarity with Jerry Rao. Ravi Ram also brought in another half a dozen executives into Mphasis. This trend of hiring amounts to inbreeding which we mentioned earlier.

Another trend observed is to attract and hire 'stars'. Stars beget stars is the belief. Monetary terms may not be attractive and there is a risk that the business might fail. But the stars join because they like to work with a charismatic leader. Arun Maira became the head of BCG in India because of his admiration for George Stalk. Ajay Mahajan quit Bank of America and joined a start-up YES Bank because of Rana who is heading the bank. In such cases people are drawn by the reputation and credibility of the charismatic leaders.[25]

SUMMARY

Selection refers to the process of picking the right candidates from the pool of applications. Selection is significant as it has its impact on work performance and employee cost.

Selection is generally done by the HR department often in consultation with the line managers. Selection is an eight-step process, commencing from preliminary interview and ending with evaluation and control.

In our country, selection of blue-collared and white-collared employees is unsystematic. However, in the case of managerial personnel, the process is fairly systematic.

KEY TERMS

Ability test
Aptitude test
Behavioural interview
Employee leasing
False negative error
False positive error
Halo effect
Intelligence test
No shows
Personality test
Preference test
Participative selection
Selection
Structured interview
Unstructured interview
Validity

REVIEW QUESTIONS

1. What is selection? What is its importance?
2. Define selection. Explain the process of selection.
3. What are the common interview problems? How can they be overcome?
4. Bring out the types and purposes of employment tests?
5. Bring out the various factors which influence the selection process.
6. List the advantages and disadvantages of having a complete medical examination given to all new employees.
7. What is the relationship between selection, recruitment and job analysis?

DISCUSSION QUESTIONS

1. If you were the chairman of your company, what considerations would guide your judgement on the following employment issues:
   (i) Hiring of relatives of employees?
   (ii) Promotion from within vs selecting the best from outside?
   (iii) Hiring physically handicapped persons?
   (iv) Hiring SCs, STs and candidates belonging to minority communities?
2. Explain, in some detail, how you would go about analysing and evaluating the effectiveness and efficiency of an employee selection programme.
3. Design a process for promoting internal candidates. How does the process differ from the one used for selecting external applicants?
4. How is organisation's strategy linked to recruitment and selection?
5. Are assessment centres a fair and valid way of selecting employees?

Closing Case

Prejudices In Workplaces: Real or Perceived?

Manjula Srivastav had been head of marketing for the last four years at Blue Chips, a computer products firm. The company's turnover had increased by two-and-a-half times during the period and its market share in a number of products had also moved up marginally. What was creditable was that all this had happened in an environment in which computer prices had been crashing.

Although she had a talent for striking an instant rapport with people—particularly with the company's dealers—Srivastav often found herself battling against odds, as she perceived it, as far as her relationships with her subordinates and peers in the company were concerned. Srivastav had to fight male prejudice all the way. She found it unfair that she had to prove herself regularly at work and she used to make her displeasure on that score quite obvious to everyone.

Six months ago, Blue Chips had been taken over by an industrial group which had a diversity of business interests and was, more importantly, flush with funds. The change of ownership had led to a replacement of the managing director, but it had not affected the existing core management team. Anand Prakash, the new managing director, had his priorities clear. "Blue Chips will go international," he had declared in the first executive committee meeting, "and exports will be our first concern."

Prakash had also brought in Harish Naik as his executive assistant with special responsibility for exports. Naik had been seconded to Srivastav for five weeks as a part of a familiarisation programme. Much to her surprise, he had been appointed, within two months, as the vice president (exports), with compensation and perks higher than her own. Srivastav had made a formal protest to Prakash who had assured her that he was aware of her good work in the company and that she would have an appropriate role once the restructuring plan he was already working on would be put into effect.

One morning, as she entered the office and switched on her workstation, a message flashed on her screen. It was from Prakash. "Want to see you sometime today regarding restructuring. Will 2.30 be convenient?" It went.

Later at his office, Prakash had come straight to the point. He wanted to create a new post called general manager (public affairs) in the company. "With your excellent background in customer relations and connections with the dealer network, you are the ideal material for the job," he said, "and I am offering it to you." Srivastav was quick to react. "There is very little I can contribute in that kind of job," she said. "I was in fact expecting to be promoted as vice president (home marketing)." Prakash said that the entire gamut of marketing functions would be looked after by Naik who would have boardroom responsibility for both domestic and export sales. "If you continue in marketing, you will have to be reporting to Naik which I thought may not be fair to you. In any case, we need someone who is strong in marketing to handle public affairs. Let me assure you that the new post I am offering will in no way diminish your importance in the company. You will in fact be reporting to me directly."

"You are being unfair and your are diminishing my importance in the company," reported Srivastav. "You know that I am a hardcore marketing professional and you also know I am the best. Why then am I being deprived of a rightful promotion in marketing? Tell me," she asked pointedly, "would you have done this to a male colleague?"

"That is a hypothetical question," said Prakash. "But I can't think of any other slot for you in the restructuring plan I want to implement except what I am offering."

"If the reason why you are asking me to handle this fancy public affairs business of yours," said Srivastav, "is that you can't think of any other slot for me, then I would have second thoughts about continuing to work for this company."

"May I reiterate," said Prakash, "that I value your role and it is precisely because of this that I am delegating to you the work I have been personally handling so far? May I also state that I am upgrading the job not only because it is important but also because it should match your existing stature in the organisation?"

"I need to think about this. I will let you know tomorrow," said Srivastav and left the office. What should she do?[26]

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CHAPTER 8

Inducting and Placing New Hires

LEARNING OBJECTIVES

After reading this chapter you should have a good understanding of:

- The nature and purpose of orientation and appreciate its role in HRM
- The different stages in the orientation process and describe each step
- The problems faced in placement of new hires and find solutions to solve the issues.

After an applicant has been hired, he or she must be oriented and placed on the chosen job. This chapter is devoted to a detailed discussion on orientation and placement, in that order.

INDUCTION

Induction, also called orientation is designed to provide a new employee with the information he or she needs to function comfortably and effectively in the organisation. It is a planned introduction of new hires to their jobs, their peers and the company.

Orientation is a systematic and planned introduction of employees to their jobs, their co-workers and the organisation. It is also called induction.

Typically, orientation conveys three types of information—**(i)** general information about the daily work routine; **(ii)** a review of the firm's history, founding fathers, objectives, operations and products or services, as well as how the employee's job contributes to the organisation's needs; and **(iii)** a detailed presentation, perhaps, in a brochure, of the organisation's policies, work rules and employee benefits[1]. Table 8.1 on p. 194 shows topics covered in orientation programmes.

Purpose of Orientation

Firms are known to spend a few weeks or even months on orientation programmes. The idea is to make the new employees feel 'at home' in the new environment. It is a well-known fact that employees feel anxious on entering an organisation. They worry about how well they will perform on the new jobs. They feel inadequate when they compare themselves with the more experienced employees, and they are concerned about how well they will get along with their co-workers. Effective orientation programmes reduce the anxiety of new employees by providing them information on the job environment and on supervisors, by introducing them to co-workers, and by encouraging them to ask questions.

The ease with which employees adjust to a new job and work environment is, often, a function of the expectations they bring to the job. If expectations are realistic, adjustments will be relatively simple. If, however, expectations are unrealistic or unreasonable, adjustment will be more difficult. In the latter case, orientation can be instrumental in modifying employee expectations.[2]

In one study of considerable importance, researchers discovered the following about new employees:

1. The first days on the job were anxious and disturbing ones.
2. 'New employees initiation' practices by peers intensified anxiety.
3. Anxiety interfered with the training process.
4. Turnover of newly hired employee was caused primarily by anxiety.
5. The new workers were reluctant to discuss problems with their supervisors.

Employee orientation is aimed at minimising such problems.[3]

Orientation seeks to expose new employees to all areas of the company. This prevents inductees from getting overspecialised. Induction makes new hires become productive to the company quickly.

Finally, a good orientation programme will create a favourable impression of the firm and its work. Just as a favourable first impression of an individual helps to form a good relationship, so a good initial impression of a company, a co-worker, or a supervisor can help a new employee adjust better.[4] Further, effectiveness of an orientation programme can have a lasting effect on absenteeism and turnover.

First developed in the US during early 1970s, orientation is gaining popularity. Several blue chip companies are orienting their new hires. Prominent user companies are the Taj Group of Hotels, Citibank, Colgate-Palmolive, Hindustan Unilever and P&G.

ORIENTATION PROGRAMME

A firm needs to make four strategic choices before designing its orientation programme. They are—**(i)** formal or informal, **(ii)** individual or collective, **(iii)** serial or disjunctive, and **(iv)** investiture or divestiture.[5] (See Fig. 8.1)

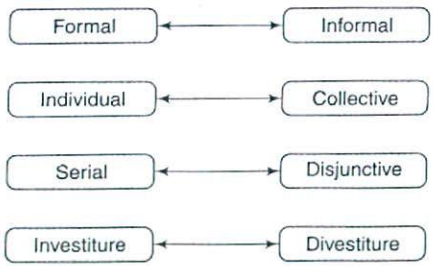


Fig. 8.1 Strategic Choices of Orientation

Formal or Informal In informal orientation, new hires are directly put on the jobs and they are expected to acclimatise themselves with the work and the company. In contrast, orientation can be formal too. In formal orientation, the management has a structured programme which is executed when new employees join the firm. (Formal orientation will be explained later in detail.)

The choice between formal and informal orientation will depend on the management's goals. The more formal the programme, the greater the likelihood that the new hire will acquire a known set of standards. That is, the new member is more likely to think and act like an executive, a management trainee, or a

management professor. But an informal programme is desirable to maintain individual differences. Innovative ideas to solve organisational problems and healthy questioning of the status quo are likely to be generated by a person who has been inducted informally.

Individual or Collective Another choice to be made by the management is whether the new hires should be inducted individually or in groups. The individual approach is likely to develop far less homogeneous views than collective orientation. Individual orientation is more likely to preserve individual differences and perspectives. Orienting each person separately is an expensive and time-consuming process. It also denies the new hire the opportunity of sharing anxieties with fellow appointees.

Collective orientation of the new hires solves the problems stated above. Most large firms tend to have the collective orientation approach. But small firms, which have fewer new appointees to socialise, frequently use the individual approach. Individual socialisation is popular even with large firms when they hire executives whose number is small.

Serial or Disjunctive Orientation becomes serial when an experienced employee inducts a new hire. The experienced employee acts as a tutor and model for the new hire. When new hires do not have predecessors available to guide them or to model their behaviour upon, the orientation become disjunctive.

Each option has its own advantages and pitfalls. Serial orientation maintains traditions and customs. Consistent use of this strategy will ensure a minimum amount of change within the firm over time. But, maintenance of status quo itself may breed resistance to change. Further, if the experienced employee is frustrated and apathetic towards work and the firm, it is likely that he or she would pass on the same to the new hire.

Disjunctive orientation almost stands on the other side of the spectrum. Such induction is likely to produce more inventive and creative employees because the new hire is not burdened by traditions. But this benefit needs to be weighed against the potential for creating deviants, that is, individuals who fail—due to an inadequate role model—to understand how their job is to be done and how it fits into the grand scheme of the company.

Investiture or Divestiture The final strategic choice relates to the need for maintaining or dismantling of the new hire's identity. Investiture orientation seeks to ratify the usefulness of the characteristics that the person brings to the new job. Most high-level appointments follow this approach, because a person is appointed as an executive on the basis of what he or she can bring to the company. The new hires are given freedom to select their office furnishings and subordinates and to make other decisions that will reflect on their performance.

Investiture orientation seeks to ratify the usefulness of the characteristics that the person brings to the new job. Most high-level appointments follow this approach.

Divestiture orientation, on the other hand, seeks to make minor modifications in the characteristics of the new hire, albeit, he or she was selected based on his or her potential for performance. This is done to seek a better fit between a new member and the firm. This fine-tuning may take the shape of requiring the appointees to severe old friendships, accepting a different way of looking at their jobs, peers, or the organisation's goals. The new hire may even be made to undergo harassment (simulated or mock) at the hands of a senior staff to verify if he or she can be moulded to the requirements of the firm, if required. Divestiture strategies are followed for inducting new hires into military, professional football, police academies, fraternal groups, religious cults, and self-realisation groups. The premise behind divestiture strategies is to dismantle the old mindset of the new member so that instilling a new set of values or norms becomes easy.

Divestiture orientation seeks to make minor modifications in the characteristics of the new hire, though he or she was selected based on his or her potential for performance.

Orientation programmes range from brief, informal introductions to lengthy, formal programmes. Informal orientation, new employees are instructed to report to the HR department for an explanation of company policies before being referred to the immediate supervisor for an on-the-job briefing on specific work procedures. Informal orientation tends to be brief—lasting one hour or even less.

Formal orientation is elaborate and is spread over a couple of weeks or months. (*see* Fig. 8.2). Most formal programmes consist of three stages—**(i)** a general introduction to the company, often given by the HR department; **(ii)** specific orientation to the department and the job, typically given by the employee's supervisor; and **(iii)** follow-up meeting to verify that the important issues have been addressed and employee questions have been answered.[6] This follow-up meeting usually takes place between a new employee and his or her supervisor a week or so after the employee has begun working.



Fig. 8.2 Formal Orientation Programme

A formal orientation programme is shared by the HR specialists and the supervisors. The former covers such areas as organisational issues, employee benefits, and introductions, while supervisors outline mainly job duties (*see* Table 8.1).

Table 8.1 Topics Often Covered in Employee Orientation Programmes

Organisational Issues	
• History of employer • Organisation of employer • Names and titles of key executives • Employee's title and department • Layout of physical facilities	• Probationary period • Product line or services provided • Overview of production process • Company policies and rules • Disciplinary regulations • Employee handbook • Safety procedure and enforcement

(Contd.)

(*Contd.*)

Employee Benefits	
• Pay scale and pay days • Vacations and holidays • Rest breaks • Training and education benefit • Counselling	• Insurance benefits • Retirement programme • Employer-provided services to employees • Rehabilitation programmes
Introduction	
• To supervisor • To trainers	• To co-workers • To employee counsellor
Job Duties	
• Job location • Job tasks • Job safety requirements	• Overview of job • Job objectives • Relationship to other jobs

Some companies also provide new employees with special anxiety-reduction seminars. Such seminars may be used to focus on information about the company and the job and allow opportunities for questions and answers. The new employees may be told what to expect in terms of rumours and hazing from old employees.[7] They may also be told about the chances of succeeding on their jobs.

REQUISITES OF AN EFFECTIVE PROGRAMME

Orientation programme, to be effective, must be based on serious consideration to attitudes, behaviours and information that new employees need. Seldom are these observed and it is rare that the system is effective. However, following are some of the requisites of an effective system.

Prepare for New Employees New employees must, initially, feel that they belong to the organisation and are important. Therefore, both the supervisor and the HR unit should be prepared to receive the employee. It is very uncomfortable for a new employee to arrive at work and have a manager say, "Oh!, I didn't realise you were coming to work today" or "Who are you?" This depersonalisation, obviously, does not create an atmosphere of initial acceptance and trust.[8]

In addition, co-workers must also be aware of the arrival of a new worker. This is particularly true when the new employee's entry is likely to erode the position and status enjoyed by the current employees. In this case, the management must take the present employees into confidence and convince them about the need for hiring the new employee.

Determine Information New Employees Want to Know The overriding question guiding the establishment of an orientation programme is, "What does the new employee need to know now?" Often, new employees receive information on issues, much of which is not immediately required. At the same time, they fail to get vital information needed during the first day of a new job.

The information which must be provided to the new employees is shown in Table 8.1. What is needed is co-ordination between the supervisor and the HR unit. Such co-ordination demonstrates the importance that the management attaches to its orientation programme.

Some firms use an orientation checklist (*see* Exhibit 8.1) to avoid any overlapping of or missing out on information.[9] Such a checklist shall contain items to be covered by the HR unit and the line manager.

Determine How to Present Information Line managers and HR representatives should determine the most appropriate way to present the orientation information. For example, rather than telling an employee verbally, information on company sick leave and holiday policies may be presented on the first day in a handbook. The manager or the HR representative can review this information a few days later to answer any of the employee's questions.[10]

Completion of Paperwork All essential paperwork should be completed during orientation so that the employee gets paid accurately and on time. Various tax and insurance forms as well as time cards and other items need to be completed in a timely fashion. There is nothing more agonising for a new employee than to miss the first pay cheque or to be paid improperly because the correct forms were not completed accurately.

? Pause and Ponder

You were subject to orientation on the first day of your entry into the school/college. What was your experience? With the knowledge of induction you have now gained after reading this chapter, could you suggest to your Principal/Dean a new programme of orientation?

EVALUATION OF ORIENTATION PROGRAMME

Generally, firms with formal orientation programmes ask employees to complete a questionnaire evaluating the programme.[11] It is desirable that the questionnaire is administered after some length of time, in order to enable the employee to gain some perspective about the work and the company. In the alternative, the HR representative or the supervisor may conduct follow-up interviews to elicit the employee's opinion.

Group discussion sessions can also be held with new employees who have settled comfortably into their jobs.

Whatever the approach, the feedback from the employees enables a firm to adopt its orientation programme to the specific suggestions of the new employees. In addition, firms should realise that the new employees will receive an orientation that could help them improve their performance. It is certainly in the best interest of the firm to have a well-planned and well-executed programme.

PROBLEMS OF ORIENTATION

An orientation programme can go wrong for a number of reasons. The HR department should try to avoid such errors. Some of them are:

1. Supervisor who is entrusted with the job is not trained or is too busy.
2. Employee is overwhelmed with too much information in a short time.
3. Employee is overloaded with forms to complete.
4. Employee is given only menial tasks that discourage job interest and company loyalty.
5. Employee is asked to perform tasks where there are high chances of failure that could needlessly discourage the employee.
6. Employee is pushed into the job with a sketchy orientation under the mistaken belief that 'trial by fire' is the best orientation.
7. Employee is forced to fill in the gaps between a broad orientation by the HR department and a narrow orientation at the departmental level.[12]
8. Employee is thrown into action too soon.
9. Employee's mistakes can damage the company.
10. Employee may develop wrong perceptions because of short periods spent on each job.

Exhibit 8.1 ***Orientation Checklist***

Name of Employee
Starting Date
Department

HR Department

Prior to Orientation

- Complete Form A and give or mail to new employee
- Complete Form B
- Attach Form B to Orientation
- Checklist-supervisor and give to the supervisor

Employee's First Day

Organization and Personnel Policies and Procedures

- History of X 'Z Inc.
- Organization Chart
- Service to Community—Purpose of the Company
- Employee Classifications

Insurance Benefits

- Group Health
- Disability
- Life
- Workmen's Compensation

Other Benefits

- Holidays
- Jury and Election Duty
- Vacation
- Death in the Family
- Health Services
- Professional Discounts
- Appointments

End of Orientation—First Day

- Make Appointment for Second Day
- Introduce Employee to Supervisor

Other Items

- Job Posting
- Bulletin Board—Location and Use
- Safety
- No Drinking
- Where to get Supplies
- Employee's Records-Updating

Name of Employee
Starting Date
Department *Position*

Supervisor

Employee's First Day

- Introduction to Co-workers
- Tour of Department
- Tour of Company
  Location of
- Coat Closet
- Rest Room
- Telephone for Personal Use and
- Rules Concerning it

Working Hours

- Starting and Leaving
- Lunch
- Breaks
- Overtime
- Early Departures
- Time Clock

Pay Policy

- Pay Period
- Deposit System

Other Items

- Parking
- Dress

During Employee's First Two Weeks

Emergencies

- Medical
- Power Failure
- Fire

Employee's Second Day

- Pension Retirement Plan
- Sick Leave
- Personal Leave
- Job Posting
- Confidentiality
- Complaints and Concerns
- Termination
- Equal Employment Opportunity

At the end of the employee's first two weeks, the supervisor will ask if the employee has any questions on the above items. After all questions have been satisfied, the supervisors will sign and date this form and return it to the HR Department.

Signature
Date

ORIENTATION CONDUCTED BY

TYPICAL ORIENTATION PROGRAMME

A typical orientation programme followed in the Taj Group of Hotels is shown in Exhibit 8.2. The description demonstrates the method and the contents of the orientation programme.

Exhibit 8.2 ***Orientation at the Taj***

The HR team and the auxiliary trainers would receive and seat the new recruits (sometimes as many as a hundred and fifty at a time) in a large banquet, giving each of them a signed welcome letter in the form of a printed brochure, but with the new recruit's name written by hand and signed personally by the General Manager. Besides giving the history of the Group, its founding values and beliefs, the letter would make the following personal promise to each new recruit:

You have been selected because we believe you have the potential and the desire to meet the high standards of excellence that are a hallmark of the Taj Group. We know you have hopes and aspirations of your own, and surely, expectations from us as well. We consider it our obligation on our part to:

- *treat you fairly and with respect*
- *ensure that your work opportunities are exciting and interesting*
- *provide open, two-way channels of communication*
- *offer suitable recognition for your dedication and excellence of performance.*

Ours is a growing company, continuously improving and expanding.

We wish to see you grow along with us.

After they have read the brochure, they would be made to introduce themselves to others, if not in front of the whole group, at least in small clusters, so that each would feel recognised. Then the entire senior management team from the Regional Vice President downwards would join them for an hour. They would individually introduce themselves and extend a personal welcome. As over 70 per cent of them were typically those who had also joined in similar capacities in their youth, they would come through as ideal role models to emulate. This would be followed by an open question-and-answer session, ending with a tea break, when they would have an opportunity to informally mix together. A formal audio-visual programme on the group would follow, and a detailed talk highlighting the future of the corporation as also the place in it for young bright people like the freshers.[13]

PLACEMENT

Placement refers to the allocation of people to jobs. It includes initial assignment of new employees, and promotion, transfer, or demotion of present employees.

After an employee has been hired and oriented, he or she must be placed in his/her right job. Placement is understood as the allocation of people to jobs. It is the assignment or re-assignment of an employee to a new or different job. Placement includes initial assignment of new employees and promotion, transfer, or demotion of present employees.[14] In this section, placement of new employees is emphasised. Placement arising out of transfers, promotions, and demotions will be discussed later in this book.

Assignment of a new employee to a job apparently seems to be a simple task. The employer advertises inviting applications from candidates for a specified post. The advertisement contains job description and job specification in detail. When a candidate has been selected, it is logical that he or she is placed in the position that was advertised earlier. But the task is not as simple as it looks. Times are changing. Changes in the work ethics reflecting the demand for meaningful work—**(i)** increased government pressure to hire and promote women and the disadvantaged, and **(ii)** heightened awareness of the fact that firms have many jobs but each individual has only one career.

All of these factors are causing organisations and individuals to examine the placement process more closely. We are entering an age when applicants must be considered for several jobs rather than one.[15] If an individual fails to meet minimal requirements in one job, he or she will be considered for other available jobs and will probably be offered employment in one of them.

From a managerial perspective, the task is to understand and capitalise on each person's individuality. Since human attributes vary along many relatively independent ability, interest, biographical sketch, and personality dimensions, a person's individuality is best viewed as his or her unique profile of scores on a variety of individual measures. Once we establish this unique profile for each individual, people and jobs can be matched optimally within the constraints set by available jobs and available people. If the number of individuals is large in relation to the available jobs, only the best qualified persons can be selected and placed. On the other hand, when more jobs are available, optimal placement is possible.[16] Thus, the number of people and the number of jobs determine the placement process in any company.

Placement Problems

The difficulty with placement is that we tend to look at the individual but not at the job. Often, the individual does not work independent of others. Whether the employee works independent of others or is dependent depends on the type of jobs. Jobs in this context may be classified into three categories—**(i)** independent, **(ii)** sequential and **(iii)** pooled.

In certain cases, jobs are *independent*, for example, postal service or field sales. Here, non-overlapping routes or territories are allotted to each worker. In such situations, the activities of one worker have little bearing on the activities of other workers. This is the placement in its simplest form, and it is the problem for which solutions have most often been developed.[17]

In *sequential* jobs, activities of one worker are dependent on the activities of a fellow worker. Assembly lines best exemplify sequential jobs.

Where jobs are *pooled* in nature, there is high interdependence among activities. The final output is the result of contribution of all the workers. It is the team work which matters. Project teams, temporary task forces and assembly teams represent pooled jobs.

Independent jobs do not pose great problems in placement, for each employee needs only to be evaluated relative to the match between his or her capabilities and interests, and those required on the job. The objective is to assign individuals so that **(i)** all jobs are filled by at least minimally qualified persons, and **(ii)** individuals are placed on jobs that will make the best possible use of their talents, given available job and HR constraints.[18]

But independent jobs are becoming rarer and rarer, as most jobs are dependent (sequential or pooled). In order to match individuals with jobs, firms use the assessment-classification model. In this model, details about the employee's skills, interests, past performance (if any), and biographical details are collected. The individual is then placed in a specific subgroup. While placing, care must be taken to match characteristics of the individual with those of the subgroup.

Just as individuals are placed in subgroups, jobs are also categorised into subgroups, each subgroup having identical characteristics. The next step is to match subgroup profiles with job-family profiles to determine the likelihood of success and satisfaction in a particular job family. Once assignment to a job family is made, individuals can be placed in specific jobs within the job family after further counselling and possible assessment. Figure 8.3 shows the placement with the help of the assessment-classification model.

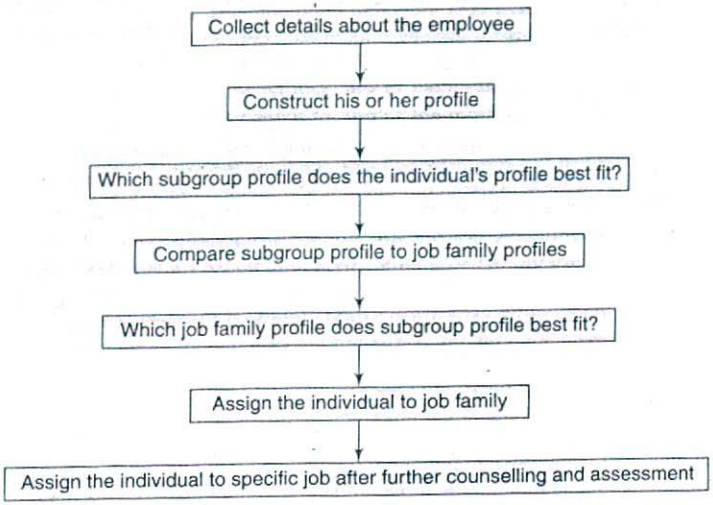


Fig. 8.3 Assessment-classification Model and Employee Placement

Source: Wayne F. Cascio and Elios M. Awad, *Human Resources Management*, p. 265.

SUMMARY

Orientation is the planned introduction of new employees to their jobs, their co-workers and the organisation. The main purpose of induction is to relieve the new employee from possible anxiety and make him or her feel at home on the job.

Orientation may be done informally or formally. Informal induction is brief. The employee is expected to familiarise with the new environment by himself or herself while working on the alloted job.

Formal orientation is lengthy and may last even a few months. Formal induction is shared by the HR representative and the line manager. The latter briefs the new employee about specific job duties while all the other details are provided by the HR representative. Some companies even conduct anxiety-reduction seminars.

Preparing for the induction of the new employee, determining the information the new employee should know, and presenting the information effectively are the requisites of an ideal orientation programme.

After orientation comes placement. Placement refers to the assignment of a new employee to his or her job. It is a simple task where the job is independent. Where the jobs are sequential or pooled, HR specialists must use assessment classification model for placing newly hired employees.

KEY TERMS

Assessment-classification
Independent jobs
Induction
Information overload
Orientation
Placement
Pooled jobs
Sequential jobs

REVIEW QUESTIONS

1. What is orientation? How is a formal orientation programme conducted?
2. Define orientation. What are its purposes and pitfalls?
3. What do you understand by placement? How are employees placed on independent, pooled and sequential jobs?

DISCUSSION QUESTIONS

1. "If employees are properly selected, there should be no need for an orientation programme." Give your viewpoint.
2. Identify the importance of orientation and tell how you would orient a new management trainee.

Closing Case

Backfired Surmise

Naik, AGM Materials, is fuming and fretting. He bumped into Kamath, GM Materials, threw the resignation letter on his table, shouted and walked out of the room swiftly.

Naik has reason for his sudden outburst. He has been driven to the wall. Perhaps, details of the story will tell the reasons for Naik's bile and why he put in his papers, barely four months after he took up his present assignment.

The year was 1995 when Naik quit the prestigious SAIL plant at Vishakapatnam. As a manager materials, Naik enjoyed powers—he could even place an order for materials worth Rs 25 lakh. He needed nobody's prior approval.

Naik joined a pulp-making plant located at Harihar in Kanataka, as AGM Materials. The plant is a part of the multi-product and multiplant-conglomerate owned by a prestigious business house in India. Obviously, perks, designation and reputation of the conglomerate lured Naik away from the public sector steel monolith.

When he joined the eucalyptus pulp making company, little did Naik realise that he needed prior approval to place an order for materials worth Rs 12 lakh. He had presumed that he had the authority to place an order by himself worth half the amount of what he used to do at the mega steel maker. He placed the order, materials arrived, were received, accepted and used up in the plant.

Trouble started when the bill for Rs 12 lakh came from the vendor. The accounts department withheld payment for the reason that the bill was not endorsed by Kamath. Kamath refused to sign on the bill as his approval was not taken by Naik before placing the order.

Naik felt fumigated and cheated. A brief encounter with Kamath only aggravated the problem. Naik was curtly told that he should have known company rules before venturing. Naik decided to quit.

Questions

1. Does the company have an orientation programme? If yes, how effective is it?
2. If you were Naik what would have you done?

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SECTION 3

List of Chapters

9. Training, Development and Career Management
10. Appraising and Managing Performance
11. Managing Basic Remuneration
12. Incentive and Performance-based Payments
13. Managing Employee Benefits and Services
14. Remunerating the Top Brass

CHAPTER 9

Training, Development and Career Management

LEARNING OBJECTIVES

After reading this chapter you should have a good understanding of:

- The nature and importance of training and development and identify the various inputs that should go into any such programme
- The different stages in a training and development programme and describe each step
- The need for and the ways of training for international assignments

Opening Vignettes

- FedEx Corporation is yet another company which takes training and development seriously. It spends $155 million on training each year. The company allocates nearly 1523 man-hours every year on training and development. Each employee spends 4 to 6 weeks a year in compulsory training. There is also voluntary course of 15 days in class rooms. Every employee is also entitled to an additional $ 2500 as tuition refund. This encourages many employees pursue short-term courses to acquire multi-skills. In addition, the company has a tie up with Skillsoff, an e-mail learning portal which offers nearly 800 short-term online courses to the employees.

  FedEx has a clear strategy with respect to training and development. It believes that training in-house personnel is much more effective and economical than lateral hiring.
- After their run-away success in the booming BPO market in India, desi training companies are now conquering new territories. Well, quite literally. As Indian professionals set a benchmark for emerging markets such as Phillipines, Middle East, Taiwan and many other South East Asian nations, Indian trainers are increasingly being wooed by overseas firms across sectors such as financial services, BPOs, hospitality, and healthcare to replicate the winning mantra that etched India prominently on the global outsourcing map.

  Indian trainers are everywhere. Be it imparting communication training for local BPOs in the Philippines or imparting soft skills to hotel staff in south east Asia or people development for Genpact's China centres. Indian training outfits such as Reliance's NIS Sparta, Hero Mindmine, Delhi-based Mind Trainer and Evolve Services are finding themselves as much in vogue as the professionals they trained.

  Price is a big advantage as well. Given the ability of Indian trainers to manage scale as well as the cost arbitrage, an Indian trainer may charge only 500 pounds a day compared to 30,000 pounds

charged by UK trainers. With a huge talent pool availability in the Indian training industry, foreign clients are now getting attracted towards hiring the trainers to replicate the Indian model.

An important ingredient in the success of these Indian trainers outside of the country has been the experience that they carry along with a considerable cost differentiation that they offer to clients.

Another leading training and development organisation—Hero Mindmind has worked with banks such as Standard Chartered in Singapore, Philippines and Malaysia.

The most sought after skills today include leadership development, management development, basic selling and customer handling skills. Going forward, the demand for trainers will only grow.

. NIS Sparta, for instance, has run sales specialist training for Microsoft dealers across 10 different geographies (outside Australia and US) under the company's dealer certification programme. This included markets of Vietnam, Cambodia and the Philippines.

- LG Electronics has made it mandatory for its staff to do two modules a month and each module has a test that has to be cleared. Every three months a summary of all the tests is made and prizes are doled out to encourage people to learn.
- The American Society for Training and Development (ASTD) says new organisations typically deliver 20–30 per cent of training via technology.
- Cisco uses web-based training as an integral tool to make employees more productive because it is available anytime, anywhere.
- GE believes in on-the-job-training approach for training its employees. It trains customer service operators on the job so that the benefits of listening, thinking and responding occur on the job. GE's answer centre in Louisville, Kentucky, is open 24 hours a day. It employs 180 telephone representatives, 150 customer service representatives and 30 technicians. It handles two million calls from customers each year. Each representative is trained and is able to handle about 100 calls a day, each one lasting about 3 to 5 minutes. After learning about the firm's products, the representative is trained on the telephone. Communication and telephone skills are observed and critiqued.[1]

The above vignettes provide us with the glimpse of training scenario prevailing in India and outside.

Successful candidates placed on the jobs need training to perform their duties effectively. Workers must be trained to operate machines, reduce scrap and avoid accidents. It is not only the workers who need training. Supervisors, managers and executives also need to be developed in order to enable them to grow and acquire maturity of thought and action. Training and development constitute an ongoing process in any organisation. This chapter is devoted to a detailed discussion on the nature and process of training and development in a typical business establishment.

NATURE OF TRAINING AND DEVELOPMENT

In simple terms, training and development refer to the imparting of specific skills, abilities and knowledge to an employee.

> *... More clearly, training and development may be understood as any attempt to improve current or future employee performance by increasing an employee's ability to perform through learning, usually by changing the employee's attitude or increasing his or her skills and knowledge. The need for training and development is determined by the employee's performance deficiency, computed as follows:*
>
> *Training and development need = Standard performance – Actual performance.*[2]

We can make a distinction among training, education and development. Such distinction enables us to acquire a better perspective about the meaning of the terms. Training, as was stated earlier, refers to the

process of imparting specific skills. Education, on the other hand, is confined to theoretical learning in classrooms. Table 9.1 draws a distinction between training and education more clearly.

? Pause and Ponder

Do you find any similarities or dissimilarities between training and orientation (you have read about orientation in the previous chapter)? Make a list.

Table 9.1 **Training and Education Differentiated**

Training	*Education*
Application	Theoretical Orientation
Job Experience	Classroom Learning
Specific Tasks	General Concepts
Narrow Perspective	Broad Perspective

Training refers to the process of imparting specific skills.
Development refers to the learning opportunities designed to help employees grow.
Education is theoretical learning in classrooms.

Though training and education differ in nature and orientation, they are complementary. An employee, for example, who undergoes training is presumed to have had some formal education. Furthermore, no training programme is complete without an element of education. In fact, the distinction between training and education is getting increasingly blurred nowadays. As more and more employees are called upon to exercise judgement and to choose alternative solutions to the job problem, training programmes seek to broaden and develop the individual through education. For instance, employees in well-paid jobs and/or employees in the service industry may be required to make independent decisions regarding their work and their relationships with clients.[3] Hence, firms must consider elements of both education and training while planning their training programmes. Though it is useful to know the difference between training and education, it is not emphasised in this chapter. Rather, elements of both education and training are assumed to be a part of the training programme.

Development refers to those learning opportunities designed to help employees grow.[4] Development is not primarily skills-oriented. Instead, it provides general knowledge and attitudes which will be helpful to employees in higher positions. Efforts towards development often depend on personal drive and ambition. Development activities, such as those supplied by management developmental programmes, are generally voluntary.

To bring the distinction among training, education and development into sharp focus, it may be stated that training is offered to operatives, whereas developmental programmes are meant for employees in higher positions. Education, however is common to all the employees, their grades notwithstanding.

INPUTS IN TRAINING AND DEVELOPMENT

Any training and development programme must contain inputs which enable the participants to gain skills, learn theoretical concepts and help acquire vision to look into the distant future. In addition to these, there is a need to impart ethical orientation, emphasise on attitudinal changes and stress upon decision-making and problem-solving abilities.

Skills

Training, as was stated earlier, is imparting skills to employees. A worker needs skills to operate machines, and use other equipment with least damage and scrap. This is a *basic* skill without which the operator will not be able to function. There is also the need for *motor* skills. Motor skills (or psychomotor skills, as they are sometimes called) refer to performance of specific physical activities. These skills involve learning to move various parts of one's body in response to certain external and internal stimuli. Common motor skills include walking, riding a bicycle, tying a shoelace, throwing a ball, and driving a car.[5] Motor skills are needed for all employees—from the janitor to the general manager. Employees, particularly supervisors and executives, need *interpersonal* skills popularly known as the *people* skills. Interpersonal skills are needed to understand oneself and others better, and act accordingly. Examples of interpersonal skills include listening, persuading, and showing an understanding of others' feelings.

Education

The purpose of education is to teach theoretical concepts and develop a sense of reasoning and judgement. That any training and development programme must contain an element of education is well understood by HR specialists. Any such programme has university professors as resource persons to enlighten participants about theoretical knowledge of the topics proposed to be discussed. In fact, organisations depute or encourage employees to do courses on a part-time basis. Chief Executive Officers (CEOs) are known to attend refresher courses conducted by business schools. Education is more important for managers and executives than for lower-cadre workers.

Development

Another component of a training programme is development which is less skill-oriented but stresses on knowledge. Knowledge about business environment, management principles and techniques, human relations, specific industry analysis and the like is useful for better management of a company.

An organisation expects the following from its managers when they are deputed to attend any training and development programme:[6]

1. How do we make our managers self-starters? How do we imbibe them with a sense of commitment and motivation so that they become self-generating?
2. How do we make them subordinate their parochial, functional loyalties to the interests of the organisation as a whole?
3. How do we make them result-oriented? How do we help them see and internalise the difference between activity and results, and between efficiency and effectiveness?
4. How do we make them sensitive to the environment in which they function, both at the workplace and outside?
5. How do we make them aware of themselves—their potential and their limitations? How do we help them see themselves as others see them and accept this self-image as a prelude to change?
6. How do we teach them to communicate without filters, to see and feel points of view different from their own?
7. How do we help them understand power and thereby develop leadership styles which inspire and motivate others?
8. How do we instill a zest for excellence, a divine discontent, a nagging dissatisfaction with the *status quo*?

Surely, the above must form part of any training and development programme.

Ethics

There is need for imparting greater ethical orientation to a training and development programme. There is no denial of the fact that ethics are largely ignored in businesses. Unethical practices abound in marketing, finance and production functions in an organisation (*See* Exhibit 9.1 for more details). They are less seen and talked about in the personnel function. This does not mean that the HR manager is absolved of the responsibility. If the production, finance or marketing personnel indulge in unethical practices the fault rests on the HR manager. It is his/her duty to enlighten all the employees in the organisation about the need for ethical behaviour.

Exhibit 9.1 ***White Collar Crimes***

The findings of the KPMG's Fraud Survey for 1998, confirm the prevalence of white collar crimes in corporate India. The survey has pegged the loss due to delinquencies at Rs 200 crore but KPMG feels that it is only the tip of the iceberg. According to the study, 66 per cent of the respondents feel that the frauds will increase.

Respondents have cited kickbacks and expense accounts as the most frequent types of internal frauds, and patent infringements, false representations and secret commissions as the most favoured external crimes. Among management frauds, window dressing of balance sheets is the hot favourite followed by more creative ones like fudging MIS and giving wrong information.

Ethical orientation is significant for the following reasons:[7]

1. Ethics correspond to the basic human needs. All of us want to be ethical in our personal lives and in business dealings, too.
2. Values create credibility with the public. An organisation perceived by the public to be ethically and socially concerned will be honoured and respected even by those who have no intimate knowledge of its actual functioning.
3. Values lend management credibility with employees. They provide a common language for aligning a company's leadership and its people.
4. Values help in better decision making. Ethical attitudes help managements make better decisions which are in the interest of the public, the employees, and in the long term—the company itself.
5. Ethical practices are good even from the profitability point of view. This may sound quixotic, but hard facts reveal the correlation between ethics and profit. The Tata story, as revealed by the *Creation of Wealth*, is a fine example to be remembered here. In addition, a research paper presented in the *California Management Review*, not long ago, shows that over a seven-year period, the corporations which showed the highest concern for ethics also tended to show the highest growth and profits.[8]
6. Finally, ethics are important because government and law cannot always protect the society, but ethics can. Employees' interest is better protected by an ethically-conscious management than a plethora of labour acts. It is too well-known that Tatas implemented several labour-welfare measures long before they were mandated by the government.

? **Pause and Ponder**

Name some companies (apart from Tatas) both Indian as well as foreign that are known for ethical conduct. Recollect interesting ancedotes associated with each of them.

Attitudinal Changes

Attitudes represent feelings and beliefs of individuals towards others. Attitudes affect motivation, satisfaction and job commitment. Negative attitudes need to be converted into positive attitudes. Changing negative attitudes is difficult because—**(i)** employees refuse to change, **(ii)** they have prior commitments, and **(iii)** information needed to change attitudes may not be sufficient. Nevertheless, attitudes must be changed so that employees feel committed to the organisation, are motivated for better performance, and derive satisfaction from their jobs and the work environment.

Decisions Making and Problem Solving Skills

Decision making and problem solving skills focus on methods and techniques for making organisational decisions and solving work-related problems. Learning related to decision-making and problem-solving skills seeks to improve trainees' abilities to define and structure problems, collect and analyse information, generate alternative solutions and make an optimal decision among alternatives. Training of this type is typically provided to potential managers, supervisors and professionals.[9] (Exhibit 9.2 shows inputs of a training and development programme at HUL)

Exhibit 9.2 ***Training Inputs at HUL***

The training and development efforts at HLL are designed to develop the following:

- Helping employees satisfy personal goals through higher level of skills and competencies.
- Facilitating higher contribution at their present jobs and preparing them for the next level of responsibility.
- Developing individuals and teams to meet the total needs of the organisation.

HUL has also packed into their training and development programme the 'Differentiating Competencies' of their parent Uniliver. The differentiating competencies are:

Clarity of purpose
Understands totality of a situation and sees clearly what needs to be done and how to achieve it.

Practical creativity
Creates business insights which can be turned into news and realistic plans.

Objective analytical power
Develops accurate, objective assessments of what needs to be done, even in complex and difficult situations.

External orientation
Has a deep understanding of developments in the external world, especially in society, consumers and technology and in developments elsewhere in Uniliver. Understands and addresses the needs of the customers inside as well as outside Uniliver.

Entrepreneurial drive
Is constantly energised to improve business results in both the short term and long term. Takes initiatives often involving calculated risks and has the tenacity and resilience to ensure achievement.

Leadership of teams
Inspires teams to support business direction, develops team capability and respects cultural differences.

Leadership of individuals
Inspires subordinates, sets high standards of performance, holds subordinates accountable for achieving them. Builds skills and capabilities of subordinates.

Adaptive influential skills
Successfully influences without hierarchical power and maintains positive relationships with colleagues.

Self-confident integrity
Stands up for convictions and values and takes difficult decisions.

Team commitment
Works co-operatively as a member of a team and is committed to the overall team objectives rather than own interests.

Learning from experience
Actively learns from own failures and successes and those of others.

Table 9.2 summarises training inputs for different categories of employees. The inputs do not remain constant. As time goes by, there will be a greater emphasis on certain inputs at the cost of others. Changes are more likely in the development of executives and least in the training of clerical staff (*see* Table 9.3).

Table 9.2 **Training Inputs Across Employees**

Inputs	Operatives	Lower-level Managers	Middle-level Managers	Top-level Managers
Specific job skills	Yes	—	—	—
Motor skills	Yes	Yes	Yes	Yes
Interpersonal skills	Yes	Yes	Yes	Yes
Education	—	—	Yes	Yes
Development	—	—	Yes	Yes
Ethics	—	—	Yes	Yes
Attitudinal changes	Yes	Yes	Yes	Yes
Decision-making and problem-solving abilities	—	—	Yes	Yes

Table 9.3 **Changes in the Training and Development Inputs in the Last 2–5 Years**

	More		Same		Less		Total	
	no.	%	no.	%	no.	%	no.	%
Shop Floor Workers	47	71.2	17	25.8	02	3.0	66	100.00
Supervisors	46	69.7	17	25.8	02	3.4	59	100.00
Foremen	39	66.1	18	30.5	02	3.4	59	100.00
Field Staff	42	68.9	16	26.2	03	4.9	61	100.00
Office Clerical Staff	28	42.4	29	44.0	09	13.6	66	100.00
Managers/Executives	56	80.0	12	17.1	02	2.9	70	100.00
Top/Senior Management	52	75.4	15	21.7	02	2.9	69	100.00

Source: Survey of the *Human Dimensions of Liberalisation*, AIMA, 1993.

GAPS IN TRAINING

Are our training and development programmes rich in inputs discussed above? The answer is 'no' if we go by the study conducted by the Foundation for Organisational Research and Education (FORE).[10] The study covered 50 undertakings in the Central Public Sector. The respondents were asked to express the extent of gaps existing in knowledge, skills, and attitudinal aspects of the existing training programmes across top, senior, middle and junior management levels. The ranks, in the areas perceived to have gaps in the order of importance, are given in Table 9.4.

Table 9.4 **Gaps in Existing Training Programmes in the Order of Priority**

(1—Largest Gap) (6—Least Gap) Gap Areas	*Levels of Management*			
	Top	*Senior*	*Middle*	*Junior*
Knowledge in the functional area	6	6	1	4.5
Leadership and human relations	4	2	3	2
Managerial skills	2	1	2	3
Job-related attitudes	5	5	5	1
Attitudes—general	1	3	6	6
Teamwork	3	4	4	4.5

Source: N.K. Singh, *Study in Training and Development in Public Sector.*

TRAINING AND DEVELOPMENT AS SOURCE OF COMPETITIVE ADVANTAGE

Companies derive competitive advantage from training and development. Training and development programmes, as was pointed out earlier, help remove performance deficiencies in employees. This is particularly true when—**(i)** the deficiency is caused by a lack of ability rather than a lack of motivation to perform, **(ii)** the individual(s) involved have the aptitude and motivation to learn to do the job better, and **(iii)** supervisors and peers are supportive of the desired behaviours.

There is greater *stability, flexibility*, and capacity for *growth* in an organisation. Training contributes to employee stability in at least two ways. Employees become efficient after undergoing training. Efficient employees contribute to the growth of the firm. Growth renders stability to the work force. Further, trained employees tend to stay with the company. They seldom leave the company. Training makes the employees versatile in operations. All rounders can be transferred to any job. Flexibility is therefore ensured. Growth indicates prosperity, which is reflected in increased profits from year to year. Who else but well-trained employees can contribute to the prosperity of an enterprise?

Training and development offer competitive advantage to a firm by removing performance deficiencies; making employees stay long; minimising accidents, scrap and damage; and meeting future employee needs.

In the knowledge economy, it's no longer enough to put your employees through the occasional training module a few times a year. Companies looking to operate and compete in a global market need to constantly skill and reskill their people, and training is becoming a 24/7/365 affair, cutting across geographies and time restrictions. To deliver this training on this scale and

frequency, technology is key—media-rich content, video-on-demand, chat and online self-tutorials have ensured that most of the learning for employees takes place at the place, and time, of their convenience.

Nowhere does training assume greater importance than in the BPO industry. With thousands of fresh graduates handling customer queries, their's an ongoing need to equip them with the necessary soft and specialised skills. Periodic and, often, frequent changes in the global business environment, have put greater pressure on training departments to bring employees up to date on the latest rules and regulations in their clients' industries.

Besides, with BPO companies looking to move up the value chain, people need to be coached in new skills. 'Traditional training was just about behavioural and technical training.'

Now, it includes cultural and value training, understanding one's own as well as clients' organisation, and the industry in which one is working. There is also a need to get people ready for potential jobs that one may want them to take up.

Accidents, scrap and damage to machinery and equipment can be avoided or minimised through training. Even dissatisfaction, complaints, absenteeism, and turnover can be reduced if employees are trained well.

Future needs of employees will be met through training and development programmes. Firms take fresh diploma holders or graduates as apprentices or management trainees. They are absorbed after course completion. Training serves as an effective source of recruitment. Training is an investment in HR with a promise of better returns in future.

A company's training and development pays dividends to the employee and the company, as shown in Exhibit 9.3. Though no single training programme yields all the benefits presented in the exhibit, the firm which devotes itself to training and development enhances its HR capabilities and strengthens its competitive edge. At the same time, the employee's personal and career goals are furthered, generally adding to his or her abilities and value to the employer. Ultimately, the objectives of the HR department are also furthered.[11]

Training becomes almost essential when mergers or acquisitions take place, as has happened to the ICICI Bank. When Bank of Madura got merged with the best bank of 2003 (ICICI), 2400 employees of the former came in along with 2.6 million customers. ICICI then had only 1600 employees with an average age of 28 years. The average age of the merged bank became 43. Integration became a challenge and training therefore became imperative.

Exhibit 9.3 ***The Benefits of Employee Training***

How Training Benefits the Organisation

- Leads to improved profitability and/or more positive attitudes towards profit orientation
- Improves the job knowledge and skills at all levels of the organisation
- Improves the morale of the workforce
- Helps people identify with organisational goals
- Helps create a better corporate image
- Fosters authenticity, openness and trust
- Improves relationship between boss and subordinate
- Aids in organisational development
- Learns from the trainee
- Helps prepare guidelines for work
- Aids in understanding and carrying out organisational policies.
- Provides information for future needs in all areas of the organisation
- Organisation gets more effective decision-making and problem-solving skills
- Aids in development for promotion from within

- Aids in developing leadership skills, motivation, loyalty, better attitudes, and other aspects that successful workers and managers usually display
- Aids in increasing productivity and/or quality of work
- Helps keep costs down in many areas, e.g. production, personnel, administration, etc.
- Develops a sense of responsibility to the organisation for being competent and knowledgeable
- Improves labour-management relations
- Reduces outside consulting costs by utilising competent internal consultation
- Stimulates preventive management as opposed to putting out fires
- Eliminates suboptimal behaviour (such as hiding tools)
- Creates an appropriate climate for growth, communication
- Aids in improving organisational communication
- Helps employees adjust to change
- Aids in handling conflict, thereby helping to prevent stress and tension.

Benefits to the Individual Which in Turn Ultimately Should Benefit the Organisation

- Helps the individual in making better decisions and effective problem solving
- Through training and development, motivational variables of recognition, achievement, growth, responsibility and advancement are internalised and operationalised
- Aids in encouraging and achieving self-development and self-confidence
- Helps a person handle stress, tension, frustration and conflict
- Provides information for improving leadership, knowledge, communication skills and attitudes
- Increases job satisfaction and recognition
- Moves a person towards personal goals while improving interactive skills
- Satisfies personal needs of the trainer (and trainee)
- Provides the trainee an avenue for growth and a say in his/her own future
- Develops a sense of growth in learning
- Helps a person develop speaking and listening skills; also writing skills when exercises are required
- Helps eliminate fear in attempting new tasks

Benefits in Personnel and Human Relations, Intragroup and Intergroup Relations and Policy Implementation

- Improves communication between groups and individuals
- Aids in orientation for new employee and those taking new jobs through transfer or promotion
- Provides information on equal opportunity and affirmative action
- Provides information on other government laws and administrative policies
- Improves interpersonal skills.
- Makes organisational policies, rules and regulations viable.
- Improves morale
- Builds cohesiveness in groups
- Provides a good climate for learning, growth, and co-ordination
- Makes the organisation a better place to work and live.

Source: From M.J. Tessin, "Once Again, Why Training?", *Training*, Feb. 1978, p. 7.

Views of a chief executive on the outcome of management development programmes (MDPs) further reiterates the significance of training. The reflections of a chief executive are:[12]

1. First of all, MDPs provide considerable intellectual stimulation. This in itself is a good thing because the normal routines of a business career place relatively few demands on the intellect and one of the occupational hazards of being a business executive is cerebral ossification. In that sense the MDPs perform a useful function.
2. Secondly, we acquire a nodding acquaintance with new concepts and new developments in the area of managerial techniques. But this acquaintance is usually peripheral and the response range from a mild

curiosity at seeing an old, familiar phenomenon presented in a new light to an airy dismissal of concepts as being purely of academic interest.

3. The third benefit one derives from an MDP is the embellishment of one's vocabulary—and this is a good thing if the jargon is used circumspectly, and with tact and understanding. Management terminology is basically a convenient shorthand for ideas that would otherwise need elaborate spelling out. Unfortunately, many of us return from MDPs armed with words and phrases which we conveniently use to cloak our vague, half-baked ideas with an air of precision or to air our pet prejudices with a stamp of authority.

Expenditures on training have been rising (*see* Table 9.5). More expenditure has been incurred on developing managers than on training workers. Almost 45 per cent of the companies today are incurring 20 per cent more expenditure than they did previously on the training of middle and junior level managers, whereas only 37 per cent are doing the service for the workers.

As of today, corporate budgets on training are staggering. Infosys, for example, has an annual outlay of $125 million on training and development, while TCS too invests a comparable figure on employee growth. Accenture's global spending on training has been $546 million per annum.

Table 9.5 **Changes in the Expenditure on Training**

Response	*Increased 20% or More*		*Increased 10% to 20%*		*Increased 0 to 10%*		*No Change*		*Less than Before*		*Total*	
	no.	*%*	*no.*	*%*	*no.*	*%*	*no.*	*%*	*no.*	*%*	*no.*	*%*
Top Management	24	38.7	12	19.4	12	19.4	11	17.7	3	4.8	62	100
Senior Management	27	41.5	18	27.7	8	12.3	11	16.9	1	1.5	65	100
Middle Management	29	45.3	18	28.1	7	10.9	9	14.1	1	1.6	64	100
Junior Management	29	44.6	16	24.6	9	13.8	10	15.4	1	1.5	65	100
Supervisors	23	37.1	12	19.4	13	21.0	12	19.4	2	3.2	62	100
Workers	23	37.1	13	20.6	10	15.9	15	23.8	2	3.2	62	100
Office Clerical Staff	12	20.0	10	16.7	13	21.7	22	36.7	3	5.0	60	100
Field Sales Force	19	32.8	14	24.1	13	22.4	9	15.5	3	5.2	58	100

THE TRAINING PROCESS

Figure 9.1 outlines important steps in a typical training process.

Each phase of the process is explained in the sections that follow.

Needs Assessment

Needs assessment diagnoses present problems and future challenges to be met through training and development.[13] Organisations spend vast sums of money (usually as a percentage on turnover) on training and development. Before committing such huge resources, organisations would do well to assess the training

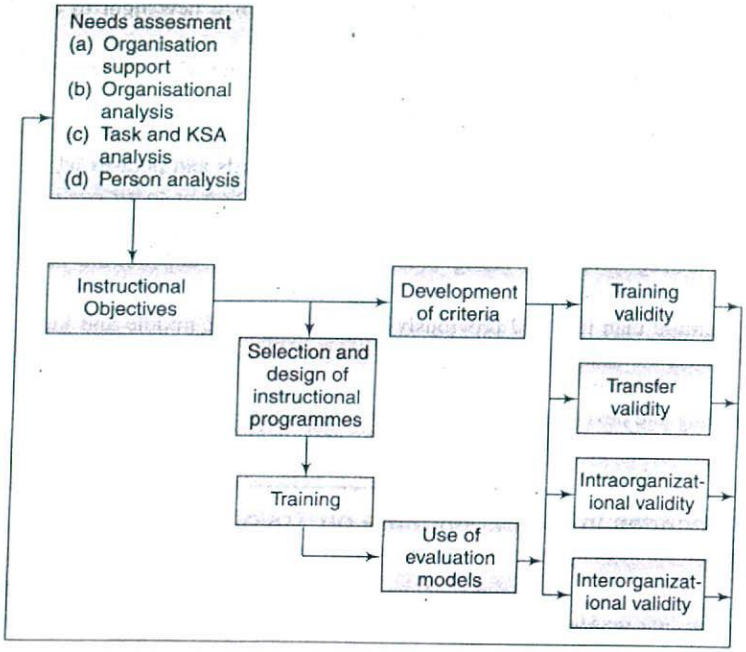


Fig. 9.1 Training Process

Source: Adapted from *Training in Organisations* by Irwin L. Goldstein and J. Kevin Ford, p. 24.

needs of their employees. Organisations that implement training programmes without conducting needs assessment may be making errors. For example, a needs assessment exercise might reveal that less costly interventions (e.g. selection, compensation package, job redesign) could be used in lieu of training.[14]

Needs assessment occurs at two levels: group and individual. An individual obviously needs training when his or her performance falls short of expectations. Performance deficiency may be due to KSA deficiency, incongruence between performance and reward, inadequate feedback or system obstacles. Where shortage in skills and abilities is the cause for deficiency, training becomes necessary. Parallel to training, other initiatives like job aid, practice, change of job, transfer or termination may also be tried (see Fig. 9.2).

Assessment of training needs must also focus on anticipated skills of an employee. Technology changes fast and new technology demands new skills. It is necessary that the employee be trained to acquire new skills. This will help him/her to progress in his or her career path. Training and development is essential to prepare the employee to handle more challenging tasks. Deputation to a part-time MBA programme is ideal to train and develop such employees.

Individuals may also require new skills because of possible job transfers. Although job transfers are common as organisational personnel demands vary, they do not necessarily require elaborate training efforts. Employees commonly require only an orientation to new facilities and jobs. Recently, however, economic forces have necessitated significant retraining efforts in order to assure continued employment for many individuals. Jobs have disappeared as technology, foreign competition, and the forces of supply and demand are changing the face of our industry.[15]

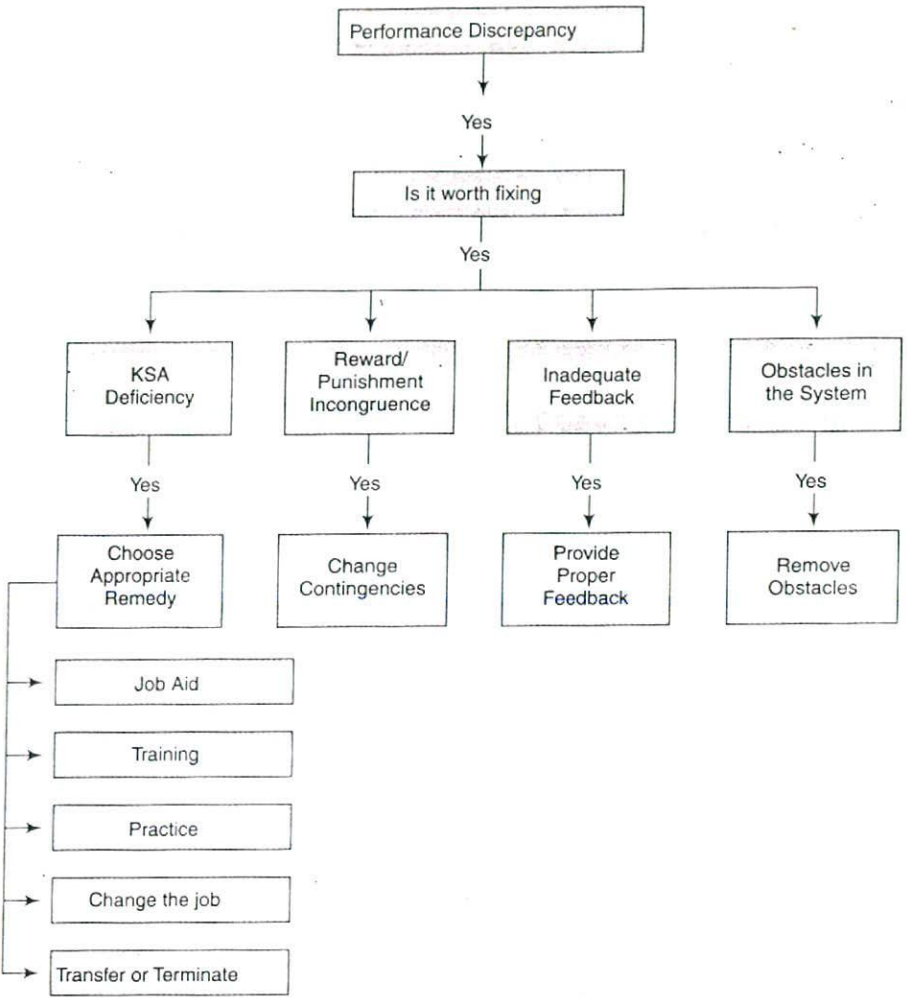


Fig. 9.2 Model of Initiatives when Performance Discrepancy is Identified

Source: Adapted from Michalak, D.F., and E.G. Yager, 1979, *Making the Training Process Work.*

Assessment of training needs occurs at the group level too. Any change in the organisation's strategy necessitates training of groups of employees. For example, when the organisation decides to introduce a new line of products, sales personnel and production workers have to be trained to produce, sell and service the new products. Training can also be used when high scrap or accident rates, low morale and motivation, or other problems are diagnosed.[16] Although training is not a cure-all, such undesirable happenings reflect poorly-trained workforce.

Needs Assessment Methods How are training needs assessed? Several methods are available for the purpose. As shown in Table 9.6, some are useful for organisational-level needs assessment and others for individual needs assessment.

Table 9.6 **Methods Used in Training Needs Assessment**

Group or Organisational Analysis	*Individual Analysis*
Organisational goals and objectives	Performance appraisal
Personnel/skills inventories	Work sampling
Organisational climate indices	Interviews
Efficiency indices	Questionnaires
Exit interviews	Attitude survey
MBO or work planning systems	Training progress
Quality circles	Rating scales
Customer survey/satisfaction data	
Consideration of current and projected changes	

Issues in Needs Assessment

Needs assessment, individual or group, should consider several issues as shown in Fig. 9.1.

Organisational Support Needs assessment is likely to make inroads into organisational life. The assessment tends to change patterns of behaviour of employees. When the needs assessment is carefully designed and supported by the firm, disruption is minimised and co-operation is much more likely to occur. Obviously, the analyst needs to take steps to work effectively with all parties and gain the trust and support of the participants in the needs assessment.[17]

Organisational Analysis Having obtained organisational support, the next step in the needs assessment is an organisational analysis, which seeks to examine the goals of the organisation (short-term and long-term), and the trends that are likely to affect these goals. The analyst needs to ask and answer the following questions:

Organisational analysis seeks to examine the goals of the organisation and the trends that are likely to affect these goals.

- Is there a sufficient supply of people?
- How does the firm attract, retain and motivate diverse work force?
- How does the firm compete for individuals with the right skills, knowledge, abilities and attitudes?
- How do employees make the firm competitive, domestically and internationally?
- Which are the target jobs that require training?

These issues enable the analyst identify skill gaps in people, which training seeks to fill.

Task and KSA Analysis In addition to obtaining organisational support and making organisational analysis, it is necessary to assess and identify what tasks are needed on each job and which knowledge, skills and abilities (KSAs) are necessary to perform these tasks. This assessment helps prepare a blueprint that describes the KSAs to be achieved upon completion of the training programme.

Person Analysis This analysis obviously targets individual employees. A very important aspect of person analysis is to determine which necessary KSAs have already been learnt by the prospective trainee so that precious training time is not wasted repeating what has already been acquired. Also, employees who need to undergo training are identified at this stage.

Benefits of Needs Assessment

Training programmes are designed to achieve specific goals that meet felt needs. There is always the temptation to begin training without a thorough analysis of these needs. Should this happen, the training programme becomes inappropriate and its administration turns out to be perfunctory. There are other benefits of needs assessment:

1. Trainers may be informed about the broader needs of the trainees.
2. Trainers are able to pitch their course inputs closer to the specific needs of the trainees.
3. Assessment makes training department more accountable and more clearly linked to other human resource activities, which may make the training programme easier to sell to line managers.

Consequences of Absence of Training Needs Assessment

The significance of needs assessment can be better understood by looking at the consequences of inadequate or absence of needs assessment. Failure to conduct needs assessment can contribute to:[17a]

- Loss of business
- Constraints on business development
- Higher labour turnover
- Poorer-quality applicants
- Increased overtime working
- Higher rates of pay, overtime premiums and supplements
- Higher recruitment costs, including advertising, time and incentives
- Greater pressure and stress on management and staff to provide cover
- Pressure on job-evaluation schemes, grading structures, payment systems and career structures
- Additional retention costs in the form of flexible working time, job-sharing, part-time working, shift-working, etc.
- Need for job redesign and revision of job specifications
- Undermining career paths and structures
- Higher training costs

Deriving Instructional Objectives

The next phase in the training process is to identify instructional objectives (see Fig. 9.1). Needs assessment helps prepare a blueprint that describes the objectives to be achieved by the trainee upon completion of the training programme. Instructional objectives provide the input for designing the training programme as well as for the measures of success (criteria) that would help assess effectiveness of the training programme.

Below are some sample instructional objectives for a training programme with sales people:[18]

- After training, the employee will be able to smile at all customers even when exhausted or ill, unless the customer is irate.
- After training, the employee will be able to accurately calculate mark down on all sales merchandise (e.g., 30 per cent mark down).

Designing Training and Development Programme

Every training and development programme must address certain vital issues—**(i)** who participates in the programme? **(ii)** who are the trainers? **(iii)** what methods and techniques are to be used for training? **(iv)** what should be the level of training? **(v)** what learning principles are needed? **(vi)** where is the programme conducted?[19] (*see* Fig. 9.3).

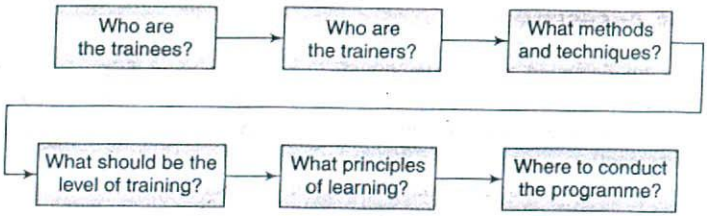


Fig. 9.3 Steps in Training Programme

Who are the Trainees? Trainees should be selected on the basis of self nomination, recommendations of supervisors or by the HR department itself. Whatever is the basis, it is advisable to have two or more target audiences. For example, rank-and-file employees and their supervisors may effectively learn together about a new work process and their respective roles.[20] Bringing several target audience together can also facilitate group processes such as problem solving and decision-making, elements useful in quality circle projects.

Who are the Trainers? Training and development programmes may be conducted by several people, including the following:

1. Immediate supervisors,
2. Co-workers, as in buddy systems,
3. Members of the HR staff,
4. Specialists in other parts of the company,
5. Outside consultants,
6. Industry associations, and
7. Faculty members at universities.

Who among these are selected to teach, often, depends on where the programme is held and the skill that is being taught. For example, programmes teaching basic skills are usually done by the members of the HR department or specialists in other departments of the company. On the other hand, interpersonal and conceptual skills for managers are taught at universities. Large organisations generally maintain their own training departments whose staff conduct the programmes.[21] In addition, many companies arrange basic-skills training for computer literacy.

Methods and Techniques of Training A multitude of methods of training are used to train employees. The most commonly used methods are shown in Table 9.7. Table 9.7 lists the various training methods and presents a summary of the most frequent uses to which these methods are put. As can be seen from Table 9.7, training methods are categorised into two groups—**(i)** on-the-job and **(ii)** off-the-job methods. On-the-job methods refer to methods that are applied in the workplace, while the employee is actually working. Off-the-job methods are used away from workplaces.

Training techniques represent the medium of imparting skills and knowledge to employees. Obviously, training techniques are the means employed in the training methods. Among the most commonly used techniques are lectures, films, audio cassettes, case studies, role playing, video-tapes and simulations. Table 9.8 presents the list of training techniques along with their ranking based on effectiveness. The higher the ranking (1 is the highest rank), the more effective the technique is.

Table 9.7 **Training Methods and the Activities for Which They are Used**

	Orienting New Employees, Introducing Innovations in Products and Services	*Special Skills Training*	*Safety Education*	*Creative, Technical, and Professional Education*	*Sales, Administrative Supervisory and Managerial Education*
	1	*2*	*3*	*4*	*5*
A. On-the-job Methods					
Orientation training	✓	—	—	—	—
Job-instruction training	✓	✓	—	—	—
Apprentice training	✓	✓	—	—	—
Internships and assistantships	—	✓	—	✓	✓
Job rotation	✓	—	—	—	✓
Coaching	—	✓	✓	✓	✓
B. Off-the-Job Methods					
Vestibule	✓	✓	—	—	—
Lecture	✓	✓	✓	✓	✓
Special study	✓	✓	✓	✓	✓
Films	✓	✓	✓	✓	✓
Television	✓	✓	✓	✓	✓
Conference or Discussion	✓	—	✓	✓	✓
Case Study	—	—	—	—	✓
Role Playing	—	—	—	✓	—
Simulation	✓	✓	✓	✓	—
Programmed instruction	✓	✓	✓	✓	—
Laboratory training	—	—	✓	✓	—

Source: Based on *Personnel/Human Resource Management* by Leap and Crino.

At this point, it is worthwhile to elaborate on important techniques of training. We explain the following—lectures, audio-visuals, on-the-job training, programmed instruction, computer-aided instruction, simulation and sensitivity training.

Lectures Lecture is a verbal presentation of information by an instructor to a large audience. The lecturer is presumed to possess a considerable depth of knowledge of the subject at hand. A virtue of this method is that is can be used for very large groups, and hence the cost per trainee is low. This method is mainly used in colleges and universities, though its application is restricted in training factory employees (*see* Table 9.8).

Limitations of the lecture method account for its low popularity. The method violates the principle of learning by practice. It constitutes a one-way communication. There is no feedback from the audience. Continued lecturing is likely to bore the audience. To break the boredom, the lecturer often resorts to anecdotes, jokes and other attention-getters. This activity may eventually overshadow the real purpose of

Table 9.8 **The Relative Effectiveness of Training Methods**

Training Method	*Knowledge Acquisition Rank*	*Changing Attitudes Rank*	*Problem Solving Skills Rank*	*Interpersonal Skills Rank*	*Participant Acceptance Rank*	*Knowledge Retention Rank*
Case Study	2	4	1	4	2	2
Conference (Discussion)	3	3	4	3	1	5
Lecture	9	8	9	8	8	8
Business Games	6	5	2	5	3	6
Films	4	6	7	6	5	7
Programmed Instruction	1	7	6	7	7	1
Role Playing	7	2	3	2	4	4
Sensitivity Training	8	1	5	1	6	3
Television Lecture	5	9	8	9	9	9

Source: Based on *Personnel/Human Resources Management* by Leap and Crino.

instruction.[22] However, the lecture method can be made effective it if is combined with other methods of training.

Audio-Visuals Audio-visuals include television slides, overheads, video-types and films. These can be used to provide a wide range of realistic examples of job conditions and situations in the condensed period of time. Further, the quality of the presentation can be controlled and will remain equal for all training groups.[23] But, audio-visuals constitute a one-way system of communication with no scope for the audience to raise doubts for clarification. Further, there is no flexibility of presentation from audience to audience.

On-the-Job Training (OJT) Majority of industrial training is of the on-the-job-training type. OJT is conducted at the work site and in the context of the job. Often, it is informal, as when an experienced worker shows a trainee how to perform the job tasks.

OJT is conducted at the work site and in the context of the job. It is, many times, informal. An experienced worker shows a trainee how to work on the job.

OJT has advantages. It is the most effective method as the trainee learns by experience, making him or her highly competent. Further, the method is least expensive since no formal training is organised. The trainee is highly motivated to learn since he or she is aware of the fact that his or her success on the job depends on the training received. Finally, the training is free from an artificial situation of a classroom. This contributes to the effectiveness of the programme.

OJT suffers from certain demerits as well. The experienced employee may lack expertise or inclination to train the juniors. The training programme itself is not systematically organised. In addition, a poorly conducted OJT programme is likely to create safety hazards, result in damaged products or materials, and bring unnecessary stress to the trainees.

Programmed Instruction (PI) This is a method where training is offered without the intervention of a trainer. Information is provided to the trainee in blocks, either in a book form of through a teaching machine. After reading each block of material, the learner must answer a question about it. Feedback in the form of correct answers is provided after each response. Thus, programmed instruction (PI) involves:

1. Presenting questions, facts, or problems to the learner.
2. Allowing the person to respond.
3. Providing feedback on the accuracy of his or her answers.[24]
4. If the answers are correct, the learner proceeds to the next block. If not, he or she repeats the same.

The main advantage of PI is that it is self-paced—trainees can progress through the programmes at their own speed.[25] Strong motivation is provided to the learner to repeat learning. Material is also structured and self-contained, offering much scope for practice.

The disadvantages are not to be ignored. The scope for learning is less, compared to other methods of training. Cost of preparing books, manuals and machinery is considerably high.

Computer-Assisted Instruction (CAI) This is an extension of the PI method. The speed, memory and data-manipulation capabilities of the computer permit greater utilisation of basic PI concept.[26] For example, the learner's response may determine the frequency and difficulty level of the next frame.

CAI is an improved system when compared to the PI method, in at least three respects. *First*, CAI provides for accountability as tests are taken on the computer so that the management can monitor each trainee's progress and needs. *Second*, a CAI training programme can also be modified easily to reflect technological innovations in the equipment for which the employee is being trained. *Third*, this training also tends to be more flexible in that trainees can usually use the computer almost any time they want, and thus get training when they prefer.[27] Not to be ignored is the fact that feedback from CAI is as rich and colourful as modern electronic games, complete with audio instructions and visual displays. A deterrent with regard to CAI is its high cost, but repeated use may justify the cost.

Simulation A simulator is any kind of equipment or technique that duplicates as nearly as possible the actual conditions encountered on the job.[28] Simulation then, is an attempt to create a realistic decision-making environment for the trainee. Simulations present likely problem situations and decision alternatives to the trainee. For example, activities of an organisation may be simulated and the trainee may be asked to make a decision in support to those activities. The results of those decisions are reported back to the trainee with an explanation of what would have happened had they actually been made in the workplace. The trainee learns from this feedback and improves his/her subsequent simulation and workplace decisions.[29]

The more widely held simulation exercises are case study, role playing and vestibule training.

Case Study is a written description of an actual situation in business which provokes, in the reader, the need to decide what is going on, what the situation really is or what the problems are, and what can and should be done. Taken from the actual experiences of organisations, these cases represent attempts to describe, as accurately as possible, real problems that managers have faced. Trainees study the cases to determine problems, analyse causes, develop alternative solutions, select the best one, and implement it.[30] Case study can provide stimulating discussions among participants, as well as excellent opportunities for individuals to defend their analytical and judgement abilities. It appears to be an ideal method to promote decision-making abilities within the constraints of limited data.

Role Playing generally focuses on emotional (mainly human relations) issues rather than actual ones. The essence of role playing is to create a realistic situation, as in case study, and then have the trainees assume the parts of specific personalities in the situation. For example, a male worker may assume the role of a female supervisor, and the supervisor may assume the role of a male worker. Then, both may be given a typical work situation and asked to respond as they expect others to do.[31] The consequences is a better understanding among individuals. Role playing helps promote interpersonal relations. Attitude change is another result of role playing. Case study and role playing are used in MDPs.

Vestibule Training utilises equipment which closely resemble the actual ones used on the job. However, training takes place away from the work environment.

A special area or a room is set aside from the main production area and is equipped with furnishings similar to those found in the actual production area. The trainee is then permitted to learn under simulated conditions, without disrupting ongoing operations. A primary advantage of vestibule training is that it relieves the employee from the pressure of having to produce while learning. The emphasis is on learning skills required by the job. Of course, the cost of duplicate facilities and a special trainer is an obvious disadvantage.

The advantage of simulation is the opportunity to 'create an environment' similar to real situations the managers incur, but without the high costs involved should the actions prove undesirable. The disadvantages are: **(i)** it is difficult to duplicate the pressures and realities of actual decision-making on the job; and **(ii)** individuals often act differently in real-life situations than they do in acting out a simulated exercise.[32]

Sensitivity Training Sensitivity training uses small numbers of trainees, usually fewer than 12 in a group. They meet with a passive trainer and gain insight into their own and others' behaviour. Meetings have no agenda, are held away from workplaces, and questions deal with the 'here and now' of the group process. Discussions focus on 'why participants behave as they do, how they perceive one another, and the feelings and emotions generated in the interaction process'.[33]

The objectives of sensitivity training are to provide the participants with increased awareness of their own behaviour and how others perceive them—greater sensitivity to the behaviour of others, and increased understanding of group processes. Specific results sought include increased ability to empathise with others, improved listening skills, greater openness, increased tolerance of individual differences and increased conflict-resolution skills. The drawback of this method is that once the training is over, the participants are themselves again and they resort to their old habits.

Sensitivity training can go by a variety of names—laboratory training, encounter groups, or T-groups (training groups). Table 9.9 shows some more techniques of training (*see* also Exhibit 9.4).

Exhibit 9.4 ***Training goes Techno-Savvy***

In today's electronic world, the Word Wide Web (WWW) is all-pervasive. The Internet and intranet are changing the face of training and learning. Using a PC, a modem and a web browser, it has become possible to learn online.

Web-based courses through distance learning are virtual. An employee can simply connect to the Internet, study the syllabus options available, and enroll for the courses electronically. He or she can then receive all course work online and even take tests and advance to the next level—all from his or her own house.

Global giants like Motorola and Ford Motor are reaping the benefits of virtual learning. Employees of Motorola have access of self-paced computer based training (CBT) material through the firm's Intranet. Motorola offers nearly one hundred online courses, mostly in information technology.

Virtual learning presents its own challenges. The biggest being an infrastructure to connect the entire organisation across the seven seas. Web servers, ISDN lines, laptops, and personnel computers are the basic requisites. But these facilities will pay off in the long-run. Firms investing in virtual learning technologies can slash their training budgets by 30 to 50 per cent.

Learning through the web can be very convenient for employees. There are no fixed schedules or limitations of time. One can attend the course at home, in the evening when one is at leisure, or while travelling to work. The learners do not have to depend on the trainer's availability.

It is not just the technical programs: soft skills can also be learnt electronically. One firm used a CD-ROM manual to impart soft-skills like performance management, coaching, and interviewing skills. The CD-ROM based training was supplemented with shared learning via teleconferencing, where managers discussed key learnings and asked for clarifications. Face to face, role-playing exercises were added for the human touch.

One advantage of computer-based soft-skills training is that it helps maintain anonymity in situations that may be discomforting for trainees. For example, role-playing exercises, may call for sharing personal information with strangers. This can be avoided in a virtual-learning setting, till the time the learner becomes more open and flexible.

It reads like who is who in using virtual learning. Motorola and Ford are only the two. There are others too. IBM, for example, has a virtual university, IBM Global Campus, to provide its employees continuous skills-driven-learning opportunities via the corporate intranet across the globe.

Federal Express has turned to interactive multimedia for a more effective training system. Employees have the facility to get training via personnel computers during regular working hours at any time convenient to them.

Texas Instrument has been using satellite-based and CBT for a long time. The firm's satellite broadcast links employees in countries all over the world, including Germany, Italy, France, England, Japan, and India.

Boeing delivers interactive training to its 22,000 managers globally through a communication service that uses the satellite broadcast technology. One application of the service was a short strategic planning skills course for employees in Boeing offices in US, Japan, Australia, and Western Europe. The course participants viewed the workshops on monitors in corporate conference rooms as well as on large-screen video-projection equipment in auditoriums. The online training was supplemented with small-group work with a site facilitator, presentations via satellite from Boeing experts, workbook exercises, and audio interaction with instructors. Boeing reported savings of $ 9 million in travel costs alone.

Tabel 9.9 **Techniques of Training**

Technique	*Description*
Ice Breakers	Games to get team members know each other
Leadership Games	Exercises to teach different styles of leadership
Skill Games	Tests to develop analytical skills
Communication Games	Exercises to build bias-free listening and talking
Strategic Planners	Games to test ability to plan ahead
Team-building Games	Exercises requiring collaborative efforts
Role Reversal	Exercise to teach plurality of views
Doubling	Brings out ideas that are not often expressed
Tag Teams	One role played alternately by two participants
Mirroring	Training with an external perspective
Monodrama	Insight into a given interaction
Shifting Physical Positions	Highlighting of communication problems
Structured Role Playing	Role-play with predetermined objectives
Multiple Role Playing	Providing a common focus of discussion
Built-in-Tension	Teaching the importance of resolving matters
Shadowing	Working under a senior to watch and learn
Outward-bound Training	Adventure sports for teams

(*Contd*)

(*Contd*)

Technique	*Description*
9 + 1 + 23	Self-assessment by a leader of leadership skills
Lateral Thinking	Thinking randomly to come up with new ideas
Morphological Analysis	Listing of alternative solutions to problems
Gordon Technique	Steering a discussion to crystallise solutions
Attribute Listening	Isolation, selection and evaluation of a problem
Cross-cultural Training	Programmes to teach specifics of varied cultures.

Source: Adapted from *Business Today*, Jan 7–21, 1996.

What Should be the Level of Learning? The next question in designing training and development programme is to decide on the level of learning. As was pointed out earlier, the inputs passed on to trainees in training and development programmes are education, skills, and the like.

In addition, there are three basic *levels* at which these inputs can be taught. At the lowest level, the employee or potential employee must acquire fundamental knowledge. This means developing a basic understanding of a field and becoming acquainted with the language, concepts and relationships involved in it. The goal of the next level is skills development, or acquiring the ability to perform in a particular skill area. The highest level aims at increased operational proficiency. This involves obtaining additional experience and improving skills that have already been developed.[34] All the inputs of training can be offered at the three levels. How effectively they are learned depends on several principles of learning.

Learning Principles Training and development programmes are more likely to be effective when they incorporate the following principles of learning:

1. Employee motivation,
2. Recognition of individual differences,
3. Practice opportunities,
4. Reinforcement,
5. Knowledge of results (feedback),
6. Goals,[35]
7. Schedules of learning,
8. Meaning of material, and
9. Transfer of learning.

Motivation to learn is the basic requisite to make training and development programmes effective. Motivation comes from an awareness that training fetches some rise in status and pay. Motivation alone is not enough. The individual must have the ability to learn. Ability varies from individual to individual and this difference must be considered while organising training programmes.

Regardless of *individual differences* and whether a trainee is learning a new skill or acquiring knowledge of a given topic, the trainee should be given the opportunity to *practise* what is being taught. Practice is also essential after the individual has been successfully trained.[36] It is almost impossible to find a professional cricket player who does not practise for several hours a day. Practice can be a form of positive reinforcement.

Reinforcement may be understood as anything that **(i)** increases the strength of response and **(ii)** tends to induce repetitions of the behaviour that preceded the reinforcement. Distinction may be made between positive reinforcement and negative reinforcement. *Positive reinforcement* strengthens and

increases behaviour by the presentation of desirable consequences. The reinforcement (event) consists of a positive experience for the individual. In more general terms, we often say that positive reinforcement consists of rewards for the individual and, when presented, contingent upon behaviour, tends to increase the probability that the behaviour will be repeated. For example, if an employee does something well and is complimented by the boss, the probability that the behaviour will be repeated will be strengthened. In *negative reinforcement*, the individual exhibits the desired behaviour to avoid something unpleasant. An example might by an employee who does something to avoid incurring a reprimand from his or her boss. If an employee who had the habit of coming late to work, assuming this as an unpleasant experience, the employee might begin to come on time to avoid criticism. Thus, the effect of negative reinforcement is avoidance of learning.

Knowledge of results is a necessary condition for learning. Feedback about the performance will enable the learner to know where he or she stands and to initiate corrective action if any deviation from the expected goal has taken place. There are certain tasks for which such feedback is virtually mandatory for learning. A crane operator, for example, would have trouble learning to manipulate the controls without knowing how the crane responds to control actions.

Goal setting can also accelerate learning, particularly when it is accompanied by knowledge of results. Individuals generally perform better and learn more quickly when they have goals, particularly if the goals are specific and reasonably difficult. Goals that are too difficult or too easy have little motivational value.[37] Further, goals will have better motivational value if the employee has a scope for participation in the goal-setting process.

Probably one of the most well-established principles of learning is that distributed or spaced learning is superior to continuous learning. This is true for both simple laboratory tasks and for highly complex ones.

Schedules of learning involve **(i)** duration of practice sessions, **(ii)** duration of rest sessions, and **(iii)** positioning of rest pauses. All the three must be carefully planned and executed.

A definite relationship has been established between learning and *meaningfulness* of the subject learnt. The more meaningful the material, the better the learning process.

What is learnt in training must be *transferred* to the job. The traditional approach to transfer has been to maximise the identical elements between the training situation and the actual job. This may be possible for training skills such as maintaining a cash register, but not for teaching leadership or conceptual skills. Often, what is learned in a training session faces resistance back at the job. Techniques for overcoming resistance include creating positive expectations on the part of trainee's supervisor, creating opportunities to implement new behaviour on the job, and ensuring that the behaviour is reinforced when it occurs. Commitment from the top management to the training programme also helps in overcoming resistance to change.

Though, it is desirable that a training and development programme incorporates all these principles, seldom is such a combination effected in practice.

Conduct of Training A final consideration is where the training and development programme is to be conducted. Actually, the decision comes down to the following choices:[38]

1. At the job itself.
2. On site but not the job—for example, in a training room in the company.
3. Off the site, such as in a university or college classroom, hotel, a resort, or a conference centre.

Typically, basic skills are taught at the job, and basic grammar skills are taught on the site. Much of interpersonal and conceptual skills are learnt off the site.

Implementation of the Training Programme

Once the training programme has been designed, it needs to be implemented. Implementation is beset with certain problems. In the first place, most managers are action-oriented and frequently say they are too busy

to engage in training efforts. *Secondly*, availability of trainers is a problem. In addition to possessing communication skills, the trainers must know the company's philosophy, its objectives, its formal and informal organisations, and the goals of the training programme. Training and development requires a higher degree of creativity than, perhaps, any other personnel speciality.

Scheduling training around the present work is another problem. How to schedule training without disrupting the regular work? There is also the problem of record keeping about the performance of a trainee during his or her training period. This information may be useful to evaluate the progress of the trainee in the company.

Programme implementation involves action on the following lines:

1. Deciding the location and organising training and other facilities.
2. Scheduling the training programme.
3. Conducting the programme.
4. Monitoring the progress of trainees.

Evaluation of the Programme

The last stage in the training and development process is the evaluation of results (*see* Fig. 9.1). Since huge sums of money are spent on training and development, how far the programme has been useful must be judged/determined. Evaluation helps determine the results of the training and development programme. In practice, however, firms either overlook or lack facilities for evaluation.

Need for Evaluation The main objective of evaluating the training programmes is to determine if they are accomplishing specific training objectives, that is, correcting performance deficiencies. A second reason for evaluation is to ensure that any changes in trainee capabilities are due to the training programme and not due to any other conditions. Training programmes should be evaluated to determine their cost effectiveness. Evaluation is useful to explain programme failure, should it occur. Finally, credibility of training and development is greatly enhanced when it is proved that the firm has benefited tangibly from it.

Principles of Evaluation Evaluation of the training programme must be based on the following principles:[39]

1. Evaluation specialist must be clear about the goals and purposes of evaluation.
2. Evaluation must be continuous.
3. Evaluation must be specific.
4. Evaluation must provide the means and focus for trainers to be able to appraise themselves, their practices, and their products.
5. Evaluation must be based on objective methods and standards.
6. Realistic target dates must be set for each phase of the evaluation process. A sense of urgency must be developed, but deadlines that are unreasonably high will result in poor evaluation.

Criteria for Evaluation The last column in Fig. 9.1 contains a number of potential goals.

1. *Training validity:* Did the trainees learn during training?
2. *Transfer validity:* What has been learnt in training, has it been transferred on the job? Has it enhanced performance in the work place?
3. *Intra-organisational validity:* Is performance of the new group of trainees, for which the training programme was developed, consistent with the performance of the original training group?
4. *Inter-organisational validity:* Can a training programme validated in one firm be used successfully in another company?

These questions often result in different evaluation techniques.

Techniques of Evaluation Several techniques of evaluation are being used in firms. It may be stated that the usefulness of the methods is inversely proportional to the ease with which the evaluation can be done.

One approach towards evaluation is to use experimental and control groups. Each group is randomly selected, one to receive training (experimental) and the other not to receive training (control). The random selection helps to assure the formation of groups quite similar to each other. Measures are taken of the relevant indicators of success (e.g. words typed per minute, quality pieces produced per hour, wires attached per minute) before and after training for both groups. If the gains demonstrated by the experimental groups are better than those by the control group, the training programme is labelled as successful.[40]

Another method of training evaluation involves longitudinal or time-series analysis. Measurements are taken before the programme begins and are continued during and after the programme is completed. These results are plotted on a graph to determine whether changes have occurred and remain as a result of the training effort.[41] To further validate that change has occurred as a result of training and not due to some other variable, a control group may be included.

One simple method of evaluation is to send a questionnaire to the trainees after the completion of the programme to obtain their opinions about the programme's worth. Their opinions could also be obtained through interviews A variation of this method is to measure the knowledge and/or skills that employees possess at the commencement and completion of a training. If the measurement reveals that the results after training are satisfactory, then the training may be taken as successful.

In order to conduct a thorough evaluation of a training programme, it is important to assess the costs and benefits associated with the programme. This is a difficult task, but is useful in convincing the management about the usefulness of training.

Some of the costs that should be measured for a training programme include needs assessment costs, salaries of training department staff, purchase of equipment (computers, videos, handouts), programme development costs, evaluation costs, trainers' costs, rental facilities and trainee wages during the training period.[42]

The benefits to be compared with the cost are rupee payback associated with the improvement in trainees' performance, their behavioural change, and the longevity of the period during which the benefits would last.

Levels of Evaluation

Evaluation of training by using any or all of the above techniques, can take place at four levels: reaction, learning, behaviour, and results (See Fig. 9.4).

As shown in Fig. 9.4, the four levels of training form a hierarchy, meaning that lower levels are pre-requisites for higher levels. In other words, if one of the lower-level measures is not affected, then those measures that follow it will not be affected as well.[43]

Reaction measures whether the employees appreciated the training and the facilities—it is usually measured by a questionnaire. *Learning* measures whether the employees know more than they did prior to undergoing training. Series of tests help identify learning. *Behaviour* measures what employees do on the job after the training. Behavioural impact is measured through performance appraisal. Evaluation of *results* looks at the overall outcomes of the training and the impact that the training has on productivity, efficiency, quality, customer service or any other dimension. This can be measured by sales figures, production, consumer survey, or any other means that correspond to the firm's performance measures.

Closed-loop System

Referring to Fig. 9.1, it may be observed that the model suggests that a training programme should be a closed-loop system in which the evaluation process provides for continual modification of the programme.

Level	Questions Being Asked	Measures
Result	Is the organization or unit better because of the training?	Accidents Quality Productivity Turnover Morale Costs Profits
Behavior	Are trainees behaving differently on the job after training? Are they using the skills and knowledge they learned in training?	Performance appraisal by superior, peer, client, subordinate
Learning	To what extent do trainees have greater knowledge or skill after the training program than they did before?	Written Tests Performance Tests Graded Simulations
Reaction	Did the trainees like the program, the trainers, the facilities? Do they think the course was useful? What improvements can they suggest?	Questionnaries

Fig. 9.4 Four Levels of Training Evaluation

Source: Jeffrey A. Mello, *Strategic Human Resource Management*, Thomson, p. 278.

The information may become available at several stages in the evaluation process. For example, an effective monitoring programme might show that the training programme has not been implemented as originally planned. In other instances, different conclusions might be supported by comparing data obtained from the evaluation of training. In addition, even when the training programme achieves its stated objectives, there are always developments that can affect the programme, including the new training techniques or characteristics of trainees. Obviously, the development of training programmes needs to be viewed as a continuously evolving process.

IMPEDIMENTS TO EFFECTIVE TRAINING

There are many impediments which can make a training programme ineffective. Following are the major hindrances:[44]

Management Commitment is Lacking and Uneven Most companies do not spend money on training. Those that do, tend to concentrate on managers, technicians and professionals. The rank-and-file workers are ignored. This must change, for, as a result of rapid technological change, combined with new approaches to organisational design and production management, workers are required to learn three types of new skills: **(i)** the ability to use technology, **(ii)** the ability to maintain it, and **(iii)** the ability to diagnose system problems. In an increasingly competitive environment, the ability to implement rapid changes in products and technologies is often essential for economic viability.

Aggregate Spending on Training is Inadequate Companies spend minuscule proportions of their revenues on training. Worse still, budget allocation to training is the first item to be cut when a company faces a financial crunch.

Educational Institutions Award Degrees but Graduates Lack Skills This is the reason why business must spend vast sums of money to train workers in basic skills. Organisations also need to train employees in multiple skills. Managers, particularly at the middle level, need to be retrained in team-playing skills, entrepreneurship skills, leadership skills and customer-orientation skills.

Large-scale Poaching of Trained Workers Trained work force is in great demand. Unlike Germany, where local business groups pressure companies not to poach on another company's employees, there is no such system in our country. Companies in our country, however, insist on employees to sign 'bonds of tenure' before sending them for training, particularly before deputing them to undergo training in foreign countries. Such bonds are not effective as the employees or the poachers are prepared to pay the stipulated amounts as compensation when the bonds are breached.

No Help to Workers Displaced because of Downsizing Organisations are downsizing and delayering in order to trim their work forces. The government should set apart certain fund from the *National Renewal Fund* for the purpose of retraining and rehabilitating displaced workers.

Employers and B Schools Must Develop Closer Ties B Schools are often seen as not responding to labour-market demands. Business is seen as not communicating its demands to B Schools. This must change. Businessmen must sit with Deans and structure the courses that would serve the purpose of business better.

Organised Labour can Help Organised labour can play a positive role in imparting training to workers. Major trade unions in our country seem to be busy in attending to mundane issues such as bonus, wage revision, settlement of disputes, and the like. They have little time in imparting training to their members.

HOW TO MAKE TRAINING EFFECTIVE?

Action on the following lines needs to be initiated to make training practices effective:

1. Ensure that the management commits itself to allocate major resources and adequate time to training. This is what high-performing organisations do. For example, Xerox Corporation, in the US invests about $ 300 million annually, or about 2.5 per cent of its revenue on training. Similarly, Hewlett-Packard spends about five per cent of its annual revenue to train its 87,000 workers. (See also opening vignettes)
2. Ensure that training contributes to competitive strategies of the firm. Different strategies need different HR skills for implementation. Let training help employees at all levels acquire the needed skills.
3. Ensure that a comprehensive and systematic approach to training exists, and training and retraining are done at all levels on a continuous and ongoing basis.
4. Make learning one of the fundamental values of the company. Let this philosophy percolate down to all employees in the company.
5. Ensure that there is proper linkage among organisational, operational and individual training needs.
6. Create a system to evaluate the effectiveness of training. (Evaluation of training has been discussed above.)

CAREER DEVELOPMENT

Career is progress or general course of action of a person in some profession or in an organisation. Elaborating further, career includes the specific jobs that a person performs, the kinds of responsibilities and activities that comprise those jobs, movements and transitions between jobs, and an individual's overall assessment of and feelings of satisfaction with these companies of his or her career.[45]

Career planning is a process whereby an individual sets career goals and identifies the means to achieve them. Where the organisaiton intervenes in planning, it becomes **organisational career planning.** In other words, organisational career planning is the planned succession of jobs worked out by a firm to develop its employees.[46]

Another related term is **career development.** Career development refers to a formal approach used by the firm to ensure that people with proper qualifications and experiences are available when needed.[47]

We focus on career development in this section. Career development benefits both employees as well as organisations, as properly developed employees are better equipped to add value to themselves and to the company.

Every organisation needs to have career development programme and integrate the function with other HR activities. Intergrating career development with other HR programmes creates synergies in which all aspects of HR reinforce one another.[48] Integration should not be difficult. For example, in planning careers, employees need organisational information—information that strategic planning, forecasting, succession planning, and skills inventories can provide. Similarly, as they obtain information about themselves and use it in career planning, employees need to know how far they can climb in the ladder of hierarchy within the organisation and how management views their performance.

Career Development Initiatives

Organisations devise and implement several initiatives in order to develop their employees' careers. More significant of them are career planning workshops, career counselling, mentoring, sabbaticals, personal development plans, and career workbooks.

Career Planning Workshops Structured workshops are available to guide employees individually through systematic self-assessment of values, interest, abilities, goals and personal development plans. During workshops, employees are made to define and match their specific career objectives with the needs of the company. Generally, these workshops are designed to guide individuals to figure out their strengths and weaknesses, job and career opportunities, and necessary steps for reaching their goals. Suggested steps help organisations initiate appropropriate action plans.

Career counselling Career counselling helps employees discuss their career goals in one-to-one counselling sessions. Along with goals, other variables identified are capabilities, interests, and current job activities and performance. While some firms make counselling a part of the periodic performance appraisal, career counselling is usually voluntary. Career counselling may be provided by the HR staff, managers, supervisors, or consultants.

Mentoring Mentoring involves coaching, advising, and encouraging employees of usually lessor ranks. Mentor (superior officer) is an important aid in the development of an employee (mentee) or protege such as greater job satisfaction, organisational commitment, and attainment of higher salary and career progress. Mentoring is also valuable for improving the job involvement and satisfaction of the mentor.

Sabbaticals These are temporary leaves of absence from an organisation, usually at a reduced amount of pay. Periodic leaves or sabbaticals help employees in terms of refreshing their learning and rejuvenating their energies.

Personal Development Plans (PDPs) In these, employees write their own personal development plans. Such development plans include development needs and action plans to achieve them. A PDP could be the nucleus of a wider career plan such as setting out alternative long-term strategies, identifying one's long-term needs and setting out a plan of self-development.

Career workbooks These consist of questions and exercises designed to guide individuals to figure out their strengths and weaknesses, job and career opportunities, and necessary steps for reaching their goals. Many workbooks are tailor-made for a particular firm and can be completed in several sessions. Workbooks generally contain organisation's career policy, career options available in the organisation, organisation structure, and job satisfactions along the career ladders.

? Pause and Ponder

Have you ever thought about your career planning? What do you want to be 5 years hence, 10 years hence? Did anyone counsel you?

Employee Role

Till now the discussion on career development centred around the role of organisation in designing and implementing initiatives to develop employee careers. It does not mean that the employees are passive spectators. They too have a role to play. In today's organisations individuals are responsible for initiating and managing their own careers. It is upto each individual to identify his or her own knowledge, skills, abilities, interests and values and seek out information about career options in order to set goals and develop career plans. Managers on their part should encourage employees to assume responsibility for their own careers, offering continuing assistance in the form of feedback on individual performance and making available information about the organisation, about the job, and about career opportunities that might be of interest.[49]

SUMMARY

Training and development activities are designed, considerable costs notwithstanding, to impart specific skills, abilities and knowledge to employees. Distinction is often made between training and education, and between these two and development. Training refers to imparting specific skills. Education is the process of theoretical learning in classrooms. Development refers to learning opportunities designed to help employees grow and evolve a vision about the future. All the three form a part of training and development—only target groups of employees differ. Training is confined to shop-floor workers and development is meant for executives. Education, of course, is needed for all employees, irrespective of their hierarchy.

Skills, education, development, ethics, attitudinal changes and decision-making skills must go into any programme of training and development.

A programme of training and development is important as it lends stability and flexibility to an organisation, besides contributing to its capacity to grow. Accident, scrap, and damage to machinery and equipment can be avoided or minimised, thanks to the programme. Furthermore, future needs of employees will be taken care by training and development.

Training process involves several steps: **(i)** defining organisational objectives and strategies, **(ii)** assessment of training needs, **(iii)** establishing training goals, **(iv)** devising the training programme, **(v)** implementation of the programme, and **(vi)** evaluation of the results.

Several barriers impede the effectiveness of training and there are ways of removing them.

There are several initiatives for career planning and career development, but it is not just organisations alone, even the employees themselves have a role in shaping their careers.

KEY TERMS

Basic skills
Career planning
Career development
Case study
Computer-assisted instruction
Education
E-learning
Motor skills
OJT
Performance deficiency
Programmed instruction
Reinforcement
Role playing
Sensitivity training
Simulation
Training and development

REVIEW QUESTIONS

1. Define the term 'training and development'. Bring out the importance of training and development.
2. Explain the various inputs required for a training and development programme.
3. Bring out the steps in the training and development process.
4. How is a training and development programme designed?
5. Write short notes on:
   (a) Programmed instruction
   (b) Computer-assisted instruction
   (c) Case study
   (d) Sensitivity training.
6. Bring out the need, criteria, and techniques of evaluation of training results.
7. Bring out the barriers to effective training. How do you overcome them?
8. Define the terms career, career planning and career development. Explain the career development initiatives.

DISCUSSION QUESTIONS

1. As a frontline supervisor, what indicators would you need in order to decide whether a low-performing subordinate was a selection mistake or merely needs training? Can you illustrate this dilemma with an example from your own organisational experience?
2. You have been asked to train employees to use personal computers. What factors would you consider in designing the programme?
3. Why do organisations often overlook or lack proper evaluation of training and development programmes?
4. Training programme are frequently the first items eliminated when management wants to cut costs. Why is it so?
5. "Management development should down-play job skills and leadership abilities and emphasise the ethical issues in managerial decision making." Discuss.
6. Which training techniques do you recommend for each of the following occupations? Why?
   (a) A clerk in an office
   (b) A welder
   (c) An assembly-line worker
   (d) An inexperienced supervisor.
7. "Learning is good for everyone". Discuss.

8. Suppose you are going to design a training programme for newly hired first-line sales managers. Results from the needs assessment indicate that they will need training on company policies and procedures, handling customer complaints, and motivating sales personnel. What learning principles will you build into the programme? What training methods would you choose? Explain your choices.

Closing Case

Travails of a Training Manager

Ashwin Kumar, who had recently joined System, as a training manager, was feeling uneasy at the end of his first meeting with Pesu Shroff, the managing director of the company.

Systems was a ten-year-old unit employing 300 people. It had a turnover of Rs 25 crore the previous year. The company traded in several products—both domestic and imported. Nearly 80 per cent of its turnover came from selling electronic component products which were assembled locally from imports of semiknocked-down kits. The landed cost of its imports was about Rs 10 crore last year. The products had an assured demand in the country, with smuggled goods from Taiwan and Korea providing whatever little competition there was. The company had been operating in a seller's market for years and, as a result, most of its activities were production oriented rather than market oriented.

Early during the current financial year, the Government of India had announced, as a part of its economic liberalisation strategy, several policy measures which made imports costlier. All imports had to be financed by exports—there were restrictions on margin money and interest rates for working capital had shot up at one stroke. With little export income in its account, Systems had no choice but to discontinue importing SKD kits.

The company management had three option before it. First, to build up its domestic trading activity rapidly; second, to assemble at least a few of the component products from raw materials sourced locally and third, pursue after-sales service aggressively both to generate revenue in the short run and to establish an enduring client-base for the company's products in the long run.

Invariably, this meant that the survival of Systems depended on how quickly it could train its people—beginning from a handful of sales engineers—to become market-centred and customer-friendly in their approach to business.

"The days of easy revenue money are over for us," Shroff had told Kumar, who had a formal training in HRD and had been an officer in the training cell of a multinational firm before signing up with Systems. "We have to compete now in the marketplace and sell hard to be able to secure orders. Times are changing. We have to change too. And that is where you come in. It will be your responsibility, as the training manager, to ensure that people here acquire marketing skills," he said, adding, as a clincher, "Frankly, have always felt that a salesman is born, not trained. I have had no belief in non-technical training. In fact, have found no need so far for a training manager at Systems. But I am prepared to do *anything* to get more sales."

That punching was what had made Kumar uneasy. But he decided to let it pass. Over the next few days, Kumar got busy evolving specific training packages for workers, shop-floor supervisors, administrative staff and senior functional executives and an intensive module for field salesmen. Deciding to start with the salesmen first, he met the sales manager to ask him to depute 10 salesmen for a training session the next day. The sales manager was sceptical and only half-heartedly consented to release people for the two-day training.

The session was a disaster. No one showed any interest in the proceedings. In fact, one of the salesmen came up to him during the coffee break and said, "You see, all this is a waste of time. Take the client for a drink and you get the sale. It is as simple as that. It has worked in the past and it will work in the future." Kumar laughed it off but the message had been delivered.

The attendance for the second day session was thin. This lack of interest was again obvious at the session for workers next day. The works manager who had originally agreed to the idea was vague about the absence of so many workers at the training session. "They are sick, I believe," he said, making no attempts to hide his feeling that to him the whole thing was a big joke.

Kumar had encountered such resistance in the company where he had worked earlier. He also knew that his training capsule was very effective. He was aware that training needs were universal for all companies and so were the training techniques which were also easily transferable from one set of working conditions to another and from one industry to another. He also knew that he had the aptitude and interest to become a professional trainer.

But Kumar began to realise that he had made a few tactical errors in this particular case. He should have perhaps asked Shroff to personally inaugurate the training session to give the whole exercise an air of formality and, more importantly, of authority. He should have perhaps started with the module for senior executives first.

"I must find a way out of this and bring everyone round. There is simply no way I am going to accept failure. Whatever damage there has been must be undone. I must do something," he said to himself. What should he do? [50]

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CHAPTER 10

Appraising and Managing Performance

LEARNING OBJECTIVES

After reading this chapter you should have a good understanding of:

- The nature of performance appraisal and compare and contrast it with job evaluation
- The different stages in the appraisal process and describe each step
- The Edward Deming's views on performance appraisal
- Each stage in the job evaluation process

Opening Case

MEASURING PERFORMANCE VS. ACTION

Come appraisal time and one of the most debated aspects of completing the fair-and-square appraisal revolves around what is 'measured' and what is 'achieved'. And the fable of the Bees and the Bee Keepers is a very popular paradigm that often gets quoted at such times. It goes thus:

The Story: Once upon a time there were two beekeepers who each had a beehive. The beekeepers worked for a company called Bees, Inc. The company's customers loved its honey and demand for the product was increasing. So Bees, Inc. assigned each beekeeper a goal for increased honey production. The beekeepers had different ideas about how to meet their goal and designed different approaches to improve the performance of their hives.

The first beekeeper established a bee performance management approach that measured the number of flowers each bee visited. At considerable cost to the beekeeper, an extensive measurement system was created to count the flowers each bee visited. He also provided feedback to each bee at mid-season on his individual performance. He also created special awards for the bees who visited the most number of flowers. However, the bees were never told about the hive's goal to produce more honey so that the company could increase honey sales.

The second beekeeper also established a bee performance management approach but this approach communicated to each bee the goal of the hive for increased honey production. The beekeeper and his bees measured two aspects of their performance: the amount of nectar each bee brought back to the hive and the amount of honey the hive produced. The performance of each bee and the hive's overall performance were charted and posted on the hive's bulletin board for all the bees to see. The beekeeper created

a few awards for the bees that gathered the most nectar. But he also established a hive incentive programme that rewarded each bee in the hive based on the hive's overall honey production—the more honey produced, the more recognition each bee would receive.

At the end of the season, the beekeepers evaluated their approaches. The first beekeeper found that his hive had indeed increased the number of flowers visited, but the amount of honey produced by the hive had dropped. The Queen Bee reported that because the bees were so busy trying to visit as many flowers as possible, they limited the amount of nectar they would carry so they could fly faster. Also, since only the top performers would be recognised, the bees felt they were competing against each other for awards. As a result, they would not share valuable information with each other that could have helped improve the performance of all the bees (like the location of the flower-filled fields they'd spotted on the way back to the hive). As the beekeeper handed out the awards to individual bees, unhappy buzzing was heard in the background. After all was said and done, one of the high-performing bees told the beekeeper that if he had known that the real goal was to make more honey, he would have worked totally differently.

The second beekeeper, however, had very diffierent results. Because each bee in his hive was focused on the hive's goal of producing more honey, the bees had concentrated their efforts on gathering more nectar in order to produce more honey than ever before. The bees worked together to determine the highest nectar yieldinig flowers and to create quicker processes for depositing the nectar they had gathered. They also worked together to help increase the amount of nectar gathered by the poorer performers. The Queen Bee of this hive reported that the poor performers either improved their performance or transferred to hive No. 1. Because the hive had reached its goal, the beekeeper rewarded each bee his portion of the hive incentive. The keeper was also surprised to hear a loud, happy buzz and a jubiliant flapping of wings as he rewarded the individual high-performing bees with special recognition.[1]

Should you measure performance or mere activities of employees? Is the one who does silent work but does not show of himself/herself or the one who puts up a show but hardly performs to be recognised and rewarded? This and other related questions are answered in this chapter.

PART I—PERFORMANCE APPRAISAL

An organisation's goals can be achieved only when people put in their best efforts. How to ascertain whether an employee has shown his or her best performance on a given job? The answer is performance appraisal. Employee assessment is one of the fundamental jobs of HRM, but not an easy one though.

Nature of Performance Appraisal

In simple terms, performance appraisal may be understood as the assessment of an individual's performance in a systematic way, the performance being measured against such factors as job knowledge, quality and quantity of output, initiative, leadership abilities, supervision, dependability, co-operation, judgement, versatility, health, and the like. Assessment should not be confined to past performance alone. Potentials of the employee for future performance must also be assessed.

Performance Appraisal is an objective assessment of an individual's performance against well defined benchmarks.

The other terms used for performance appraisal are: performance rating, employee assessment, employee performance review, personnel appraisal, performance evaluation, employee evaluation and (perhaps, the oldest of the terms used) merit rating. In a formal sense, employee assessment is as old as the concept of management, and, in an informal sense, it is probably as old as mankind.[2] Nor performance appraisal is done in isolation. It is linked to job analysis as shown in Fig 10.1.

Job analysis sets out requirements, which are translated into performance standards, which in turn form the basis for performance appraisal.

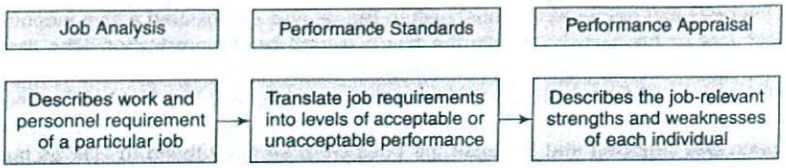


Fig. 10.1 Relationship of Performance Appraisal and Job Analysis

Performance management refers to the entire process of appraising performances, giving feedback to the employees, and offering rewards or punishments to them.

Objectives of Performance Appraisal

Data relating to performance assessment of employees are recorded, stored, and used for several purposes. The main purposes of employee assessment are:

1. To effect promotions based on competence and performance.
2. To confirm the services of probationary employees upon their completing the probationary period satisfactorily.
3. To assess the training and development needs of employees.
4. To decide upon a pay raise where (as in the unorganised sector) regular pay scales have not been fixed.
5. To let the employees know where they stand insofar as their performance is concerned and to assist them with constructive criticism and guidance for the purpose of their development.[3]
6. To improve communication. Performance appraisal provides a format for dialogue between the superior and the subordinate, and improves understanding of personal goals and concerns. This can also have the effect of increasing the trust between the rater and the ratee.
7. Finally, performance appraisal can be used to determine whether HR programmes such as selection, training, and transfers have been effective or not.

Broadly, performance appraisal serves four objectives—**(i)** developmental uses, **(ii)** administrative uses/decisions, **(iii)** organisational maintenance/objectives, and **(iv)** documentation purposes. Table 10.1 outlines these and specific uses more clearly.

Table 10.1 **Multiple Purposes of Performance Assessment**

General Applications	*Specific Purpose*
Developmental Uses	Identification of individual needs Performance feedback Determining transfers and job assignments Identification of individual strengths and developmental needs
Administrative Uses/Decisions	Salary Promotion Retention or termination Recognition of individual performance Lay-offs Identification of poor performers

(*Contd.*)

(*Contd.*)

Organisational Maintenance/Objectives	HR planning Determining organisation training needs Evaluation of organisational goal achievement Information for goal identification Evaluation of HR systems Reinforcement of organisational development needs
Documentation	Criteria for validation research Documentation for HR decisions Helping to meet legal requirements

Source: Cynthia D. Fisher, *et al.*, *Human Resource Management*, Houghton Mifflin, 1997, p. 455.

Performance Appraisal and Competitive Advantage

The objectives of performance appraisal, listed above, point out the purposes which such an exercise seeks to meet. What needs emphasis is that performance evaluation contribute to firm's competitive strength. Besides encouraging high levels of performance, the evaluation system helps identify employees with potential, reward performance equitably and determine employee's need for training. Specifically, performance appraisal helps an organisation gain competitive edge in the following ways (see Fig. 10.2)

Performance appraisal offers competitive advantage to a firm by improving performance, helping make correct decisions, ensuring legal compliance, minimising job dissatisfaction and employee turnover and ensuring consistency between organisational strategy and behaviour.

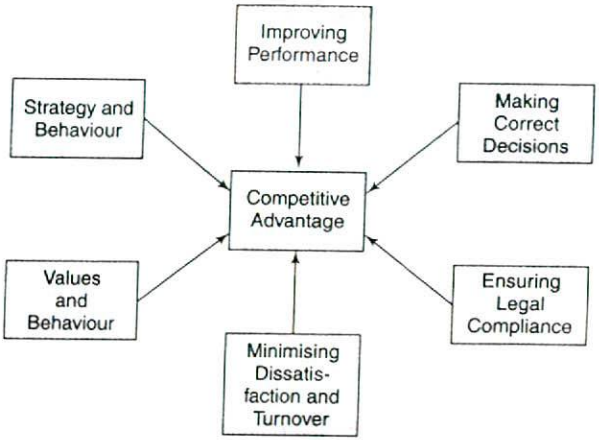


Fig. 10.2 How Performance Appraisal can Contribute to Firm's Competitive Advantage

Improving Performance An effective appraisal system can contribute to competitive advantage by improving employee job performance in two ways—by directing employee behaviour towards organisational goals, as was done by the second beekeeper (see opening case), and by monitoring that behaviour to ensure that the goals are met.

Making Correct Decisions As stated above, appraisal is a critical input in making decisions on such issues as pay raise, promotion, transfer, training, discharges and completion of probationary periods. Right

decision on each of these can contribute to competitive strength of a firm. If promotion, for example, is made on performance, the promotee feels motivated to enhance his or her performance.

Ensuring Legal Compliance Promotions made on factors other than performance might land up a firm in a legal battle, thus diverting its focus on non-productive areas, as it happened to Williamson Magar. Companies can minimise costly performance—related litigation by using appraisal systems that give fair and accurate ratings.

Minimising Job Dissatisfaction and Turnover Employees tend to become emotional and frustrated if they perceive that the ratings they get are unfair and inaccurate. Such employees find that the efforts they had put in became futile and obviously get demotivated.

Dissatisfaction in the job sets in and one of the outcomes of job dissatisfaction is increased turnover. Fair and accurate appraisal results in high motivation and increased job satisfaction. An organisation having satisfied and motivated employees will have an edge over its competitors.

Consistency Between Organisational Strategy and Behaviour An organisation needs a strategy consistent with the behaviour of its employees if it were to realise its goals. A truism of organisational life is that people engage themselves in behaviours that they perceive will be rewarded. As employees want to be rewarded, they tend to occupy themselves more with those activities on which the organisation emphasises. For example, if the focus is on service, employees will behave in ways that will help them in gaining rewards associated with service delivery. If the focus is on cost control, employees will seek to control cost and thus be recongnised and rewarded. If the focus is on rewarding productivity, employees will strive for productivity. The performance appraisal becomes not only a means of knowing if the employees' behaviour is consistent with the overall strategic focus, but also a way of bringing to the fore any negative consequence of the strategy—behaviour fit. For example, a single point productivity focus may include potential negative consequences such as decreased quality and co-operation. Thus, the performance appraisal system is an important organisational mechanism to elicit feedback on the consistency of the strategy-behaviour link.

Organisational Strategy and Performance Appraisal The performance appraisal system serves many organisational objectives and goals. Besides encouraging high level performance, the evaluation system is useful in identifying employees with potential, rewarding performance equitably, and determining employees' needs for development. These are all the activities that should support the organisation's strategic orientation. Although these activities are clearly instrumental in achieving corporate plans and long-term growth, typical appraisal systems in most orgnisations have been focused on short-term goals.

From the strategic management point of view, organisations can be grouped into three categories—defenders, prospectors and analysers. Performance appraisal has definite roles in all the three strategies.

Typically, *defenders* have a narrow and relatively stable product-market domain. Because of this narrow focus, these organisations seldom need to make major adjustments in their technology, structure or methods of operations. They devote primary attention to improving the efficiency of their existing operations. Because of the emphasis on building skills within the organisation, successful defenders use performance appraisal for identifying training needs. Performance appraisal is usually more behaviour oriented.

Organisations with a *prospector* strategy continuously search for different product and market opportunities. In addition, these organisations regularly experiment with potential responses to new and emerging environmental trends. Prospectors are often the harbingers of change. Because of the emphasis on skills identification and acquisition of human resources from external sources, as opposed to skills building with the organisation, prospectors often use the performance appraisal as a means of identifying staffing needs. The emphasis is on results. Finally, the focus is on division and corporate performance evaluation as they compare with other companies during the same evaluation period.

Organisations with an *analyser strategy* operate in two types of product-market domains. One domain is stable while the other is changing. In their more innovative areas, managers watch their competitors closely and rapidly adopt the ideas that appear promising. In general, analysers use cost-effective technologies for stable products and project or matrix technologies for new product. Analysers tend to emphasise both skill building and skill acquisition and employ extensive training programmes. Thus, these organisations attempt to identify both training as well as staffing needs. The appraisal systems are considered at the individual, group and divisional levels. Finally, successful analysers have a tendency to examine current performance with past performance within the organisation. Cross-sectional comparisons (comparisons among companies) may also occur.

Whatever the category, a performance appraisal system has strategic importance to a firm in three ways:

1. Feedback mechanism,
2. Consistency between organisational strategy and job behaviour, and
3. Consistency between organisational values and job behaviour.

APPRAISAL PROCESS

Figure 10.3 outlines the performance-appraisal process. Each step in the process is crucial and is arranged logically. The process as shown in Fig. 10.3 is somewhat idealised. Many organisations make every effort to approximate the ideal process, resulting in first-rate appraisal systems. Unfortunately, many others fail to consider one or more of the steps and, therefore, have less-effective appraisal system.[4]

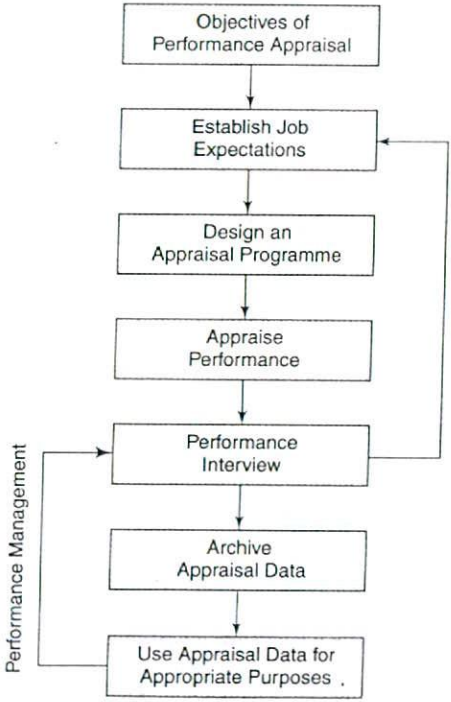


Fig. 10.3 The Performance Appraisal Process

1. Objectives of Appraisal

Objectives of appraisal, as stated above, include effecting promotions and transfers, assessing training needs, awarding pay increases, and the like. The emphasis in all these is to *correct* the problems. These objectives are appropriate as long as the approach in appraisal is individual. Appraisal, in future, would assume systems orientation. In the systems approach, the objectives of appraisal stretch beyond the traditional ones.

In the systems approach, appraisal aims at *improving* the performance, instead of merely assessing it. Towards this end, appraisal system seeks to evaluate opportunity factors. Opportunity factors include the physical environment such as noise, ventilation and lightings, available resources such as human and computer assistance; and social processes such as leadership effectiveness. These opportunity variables are more important than individual abilities in determining work performance.[5]

In the systems approach, the emphasis is not on individual assessment and rewards or punishments. But it is on how the work system affects an individual's performance. In order to use a systems approach, managers must learn to appreciate the impact that the system level factors have on individual performance, and subordinates must adjust to the lack of competition among individuals. Thus, if a systems approach is going to be successful, the employee must believe that by working towards shared goals, everyone will benefit.

Not that the role of the individual is undermined. The individual is responsible for a large percentage of his or her work performance. Employees should not be encouraged to seek organisational reasons for their failures. The identification of systems obstacles should be used to facilitate development and motivation, not as an excuse to poor performance. Table 10.2 displays some of the differences between the traditional approach and the systems-oriented one.

Table 10.2 **Performance Appraisal Systems**

	Traditional	*Systems*
Guiding value	Attribution to individual	Attribution to system
Primary goals	Control, documentation	Development, problem solving
Leadership practices	Directional, evaluative	Facilitative, coaching
Appraisal frequency	Occasional	Frequent
Degree of formality	High	Low
Reward practices	Individual orientation	Group orientation

Source: William P. Anthony, *et al.*, *Strategic Human Resource Management*, p. 442.

2. Establish Job Expectations

The second step in the appraisal process is to establish job expectations. This includes informing the employee what is expected of him or her on the job. Normally, a discussion is held with his or her superior to review the major duties contained in the job description. Individuals should not be expected to begin the job until they understand what is expected of them.

3. Design Appraisal Programme

Designing an appraisal programme poses several questions which need answers. They are, **(i)** Formal versus informal appraisal; **(ii)** Whose performance is to be assessed? **(iii)** Who are the raters? **(iv)** What problems are encountered? **(v)** How to solve the problems? **(vi)** What should be evaluated? **(vii)** When to evaluate? **(viii)** What methods of appraisal are to be used? (See Fig. 10.4)

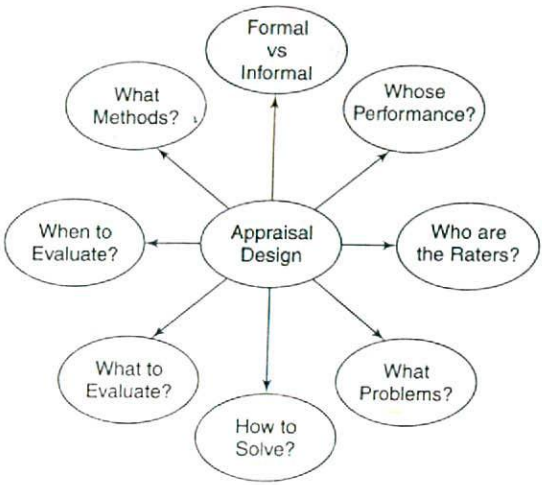


Fig. 10.4 Issues in Appraisal Design

Formal Versus Informal Appraisal The first step in designing an appraisal programme is to decide whether the appraisal should be formal or informal. Formal appraisals usually occur at specified time periods—once or twice a year. Formal appraisals are most often required by the organisation for the purpose of employee evaluation. Informal performance appraisal can occur whenever the supervisor feels the need for communication. For example, if the employee has been consistently meeting or executing standards, an informal appraisal may be in order to simply recognise this fact. Discussions can take place anywhere in the firm, ranging from the manager's office to the canteen. But care needs to be taken to ensure that the discussion is held in private.[6]

Many organisations encourage a mixture of both formal and informal appraisals. The formal appraisal is most often used as primary evaluation. However, the informal appraisal is very helpful for more performance feeback.[7] Informal appraisals should not take the place of formal performance evaluation.

Whose Performance Should be Rated? To the question as to whose performance should be rated, the answer is obvious—employees. When we say employees, is it individuals or teams? Specifically, the ratee may be defined as the individual, work group, division, or organisation. It is also possible to define the ratee at multiple levels. For example, under some conditions, it may be desirable to appraise performance both at the work-group level for merit-pay increases and at the individual level to assess training needs.[8]

Two conditions necessitate a group-level appraisal—group cohesiveness and difficulty in identifying individual performance. Group cohesiveness refers to the shared feeling among work-team members. There is co-operation and clear understanding to accomplish tasks which are interdependent. Any attempt to assess individual performance shall undermine group cohesiveness and tend to promote individualistic or even competitive orientation. The difficulty in identifying individual contribution is also important to consider. In

some cases, interdependence of tasks is so complete that it is difficult to identify who has contributed what. There is no other choice but to view that task as a team effort.[9] But the point to be remembered is that the performance of all employees must be rated. All must become ratees.

Who are Raters? Raters can be immediate supervisors, specialists from the HR department, subordinates, peers, committees, clients, self-appraisals, or a combination of several.

Immediate supervisor is the most fit candidate to appraise the performance of his or her subordinates. There are three reasons in support of this choice. No one is more familiar with the subordinate's performance than his or her superior. Another reason is that the superior has the responsibility of managing a particular unit. When the task of evaluating a subordinate is given to another person, the superior authority may be undermined seriously. Finally, training and development of subordinates is an important element in every manager's job. Since appraisal programmes are often clearly linked to training and development, the immediate supervisor may be the logical choice to conduct the performance evaluation.[10]

Subordinates can assess the performance of their superiors. The use of this choice may be useful in assessing an employee's ability to communicate, delegate work, allocate resources, disseminate information, resolve intra-personal conflict, and deal with employees on a fair basis. But the problem with subordinate evaluation is that the supervisors tend to become more popular, not by effective leadership, but by mere gimmicks.

Peers are in a better position to evaluate certain facts of job performance which the subordinates or supervisors cannot do. Such facts include contribution to workgroup projects, interpersonal effectiveness, communication skills, reliability and initiative.[11] Closeness of the working relationship and the amount of personal contacts place peers in a better position to make accurate assessments. Unfortunately, friendship or animosity may result in distortion of evaluation. Further, when reward allocation is based on peer evaluation, serious conflicts among co-workers may develop. Finally, all the peers may join together to rate each other high.

Although ***clients*** are seldom used for rating employee performance, nothing prevents an organisation from using this source. Clients may be members within the organisation who have direct contact with the ratee and make use of an output (goods or service) this employee provides. Interest, courtesy, dependability and innovativeness are but a few of the qualities for which clients can offer rating information. Clients, external to the organisation, can also offer similar kinds of information.

Where appraisal is made by superiors, peers, subordinates and clients, it is called the *360-degree system of appraisal.* First developed at General Electric, US in 1992, the system has become popular in our country too. GE (India), Reliance Industries, Crompton Greaves, Godrej Soaps, Wipro, Infosys, Thermax and Thomas Cook are using the method with greater benefits. The Arthur Anderson Survey (1997) reveals that 20 per cent of the organisations use the 360-degree method. In the 360-degree method, besides assessing performance, other attributes of the assessee—talents, behavioural quirks, values, ethical standards, tempers and loyalty are evaluated by people who are best placed to do it.

In 360-degree appraisal system, an employee's performance is rated by superiors, peers, subordinates and clients. First developed and used by GE in 1992, the system is used all over the world now.

Many employers use ***rating committees*** to evaluate employees. These committees are often composed of the employee's immediate supervisor and three or four other supervisors who come in contact with the employee. This choice is welcome when an employee, in the course of his or her job, performs a variety of tasks in different environments. For example, one supervisor may work with the employee when technical aspects of a job are being performed and another supervisor may deal with the same employee in situations where communication skills are crucial. There are several benefits in using multiple raters. *First*, there may be objectivity in rating as more than one rater is involved in the assessment. Furthermore, where there are differences in the raters' ratings,

they usually stem from the fact that raters at different levels in the organisation often observe different facets of an employee's performance—the appraisal ought to reflect these differences.[12] The disadvantage of committee rating is that it diminishes the role of the immediate supervisor in the area of training and development.

In ***self-appraisal***, the employee himself or herself evaluates his or her own performance. Hewlett-Packard and Texas Instruments ask their employees to prepare their own appraisals. On the positive side, it may be stated that in self-appraisal there is an opportunity to participate in evaluation, particularly if it is combined with goal setting (as in Management By Objectives or MBO) and this should improve the manager's motivation.

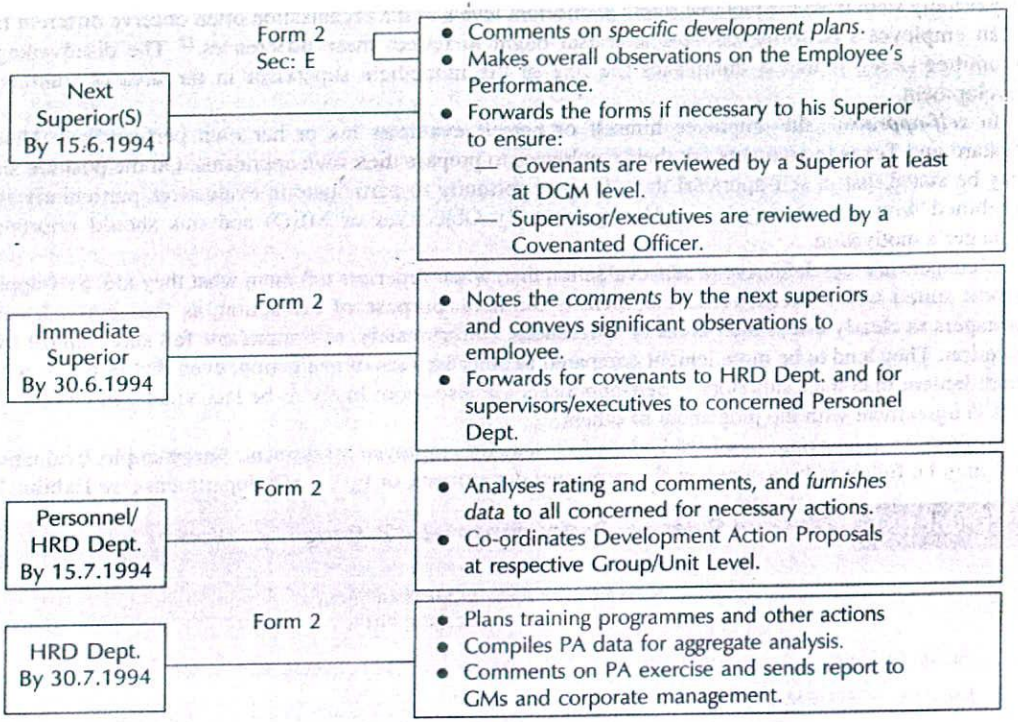
Managers are less defensive in self-evaluation than when superiors tell them what they are. Self-appraisal is best suited where executive development is the main purpose of evaluation, as the approach enables managers to clearly assess their areas of differences. Unfortunately, self-appraisals fall short almost by any criterion. They tend to be more lenient compared to other sources of evaluation, even that of peers, who are more lenient than their superiors.[13] Self-appraisals are also more likely to be less viable, more biased and less in agreement with the judgement of others.

In practice, a *combination* of methods is followed for employee assessment. For example, evaluation by self may be followed by a superior, the personnel department, or by the HR department (*see* Exhibit 10.1).

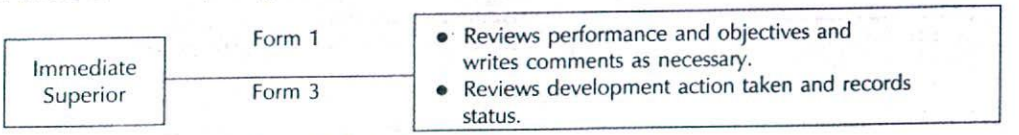
Exhibit 10.1 ***Different Raters of Performance—L&T, Bangalore Works***

PROCEDURE AND SCHEDULE FOR PERFORMANCE APPRAISAL PROCESS

Action by/Date	*Form/Section*	*Brief Description of Activities*
I. ANNUAL PERFORMANCE REVIEW		
Employee By 15.4.1994	Form 2 Sec:	• Describes *actual results* against objectives set earlier (Ref: Performance Planning Form 1993–94). Not more than five. • Carries out self-review highlighting significant contributions and factors influencing performance. • Keeps himself or herself *ready* for appraisal interview by analysing his performance, strengths and weakness and development needs.
Immediate Superior By 15.5.1994	Form 2 Sec: B,C	• Prepares for the *appraisal interview* by analysing results against objectives, strengths and weaknesses, and recalling significant incidents. Related to critical attributes. • Discusses with the employee the performance and provides *feedback* on critical attributes and rates on performance and attributes.
	Form 3	• Carries out *development planning* with the employee.
	Form 1	• Carries out *performance planning* for 1994–95 with employee. Selects and describes role related attributes.
	Form 2 Sec: C	• Describes strengths and weaknesses, and comments on potential areas for growth.
	Sec: D	• Records training needs and specific development plans.



II. PERIODIC REVIEW (During the Year)



Source: Performance Appraisal in L&T, Bangalore Works.

Whoever may be the rater, two requisites must be fulfilled. *First*, the rater must be free from bias. *Second*, the rater must have an opportunity to observe the full spectrum of activities and behaviour of the ratee over an extended time period.

Problems of Rating Performance appraisals are subject to a wide variety of inaccuracies and biases referred to as 'rating errors'. These errors occur in the rater's observations, judgement, and information processing, and can seriously affect assessment results. The most common rating errors are leniency or severity, central tendency, halo effect, rater effect, primacy and recency effects, perceptual set, performance dimension behaviour, spill over effect, and status effect.

Leniency or Severity Leniency or severity on the part of the rater makes the assessment subjective. Subjective assessment defeats the very purpose of performance appraisal. Ratings are lenient for the following reasons:[14]

1. The rater may feel that anyone under his or her jurisdiction who is rated unfavourably will reflect poorly on his or her own worthiness.

2. He or she may feel that anyone who could have been rated unfavourably has already been discharged from the company.
3. He or she may feel that a derogatory rating will be revealed to the ratee to the detriment of the relations between the rater and the ratee.
4. He or she may rate leniently in order to win promotions for the subordinates and, therefore, indirectly increase his or her hold over them.
5. He or she may be projecting.
6. He or she may feel it necessary to always approve of others in order to gain approval for himself or herself.
7. He or she may be operating on the premise, "whoever associates with me is meritorious, therefore, I am meritorious".
8. He or she may rate leniently because there exists, in the culture, a response set to approve rather than disapprove.

Graphically, the distribution of ratings resulting from leniency or severity is shown in Fig. 10.5.

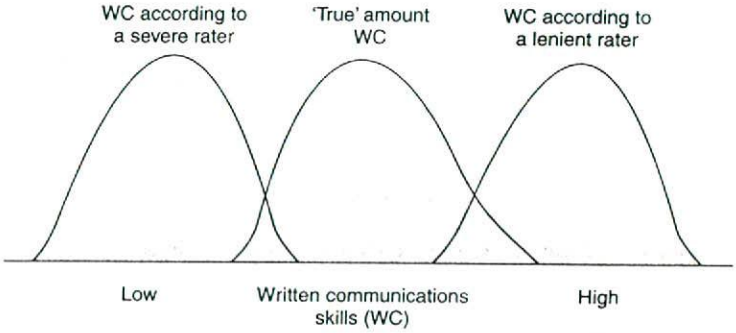


Fig. 10.5 Distribution of Lenient and Severe Raters

Source: Wayne F. Cascio and Elias M. Awad, *Human Resource Management*, p. 409.

Central Tendency This occurs when employees are incorrectly rated near the average or middle of the scale. The attitude of the rater is to play safe. This safe-playing attitude stems from certain doubts and anxieties which the raters have while assessing the ratees. Such doubts and anxieties are:[15]

1. "Do I know the man sufficiently well to be able to give a fair assessment of him?"
2. "If I rate him the way I think I should, what will be its influence on his relations with me and on his performance in the future?"
3. "If I rate him the way I think I should, what will be its effect on my relations with the other subordinates?"
4. "If I rate him the way I think I should, what will be its effect on his relationship within the group or subordinates?"
5. "Will I be able to be objective in view of pressures from peers, superiors and trade unions?"
6. "If I rate him the way I think I should, will I be accused to being partial?"
7. "How will my boss view the appraisal I make and how will that influence the way he appraises the man?"
8. "What standards will my peers adopt to appreciate their subordinates? And in view of this, am I likely to affect adversely the future of my subordinates?"

Naturally, the raters use such expression as 'satisfactory' and 'average' to describe the performance of the ratees. For example, the principal of a college while giving character certificates to the outgoing students describes the character of each student as 'satisfactory'. Obviously, it becomes difficult to distinguish between excellent performance and poor performance. In small organisations, it is common to label all employees as average. But in large companies, errors of this type tend to obviate the value of evaluations.

Close to the error of central tendency is the problem of *range restriction*. Range restriction may involve clustering all employees around any point on a scale, often in combination with leniency errors at the very top. What is distinctive in the error of central tendency and the error of range restriction is a failure to note real performance differences, either intentionally or due to insufficient attention.[16]

Halo Error A halo error takes place when one aspect of an individual's performance influences the evaluation of the entire performance of the individual, just as the assessment of the performance of a student in his or her examination being influenced by the opening paragraph of every answer. If the introductory paragraph is poorly written, the chances of scoring high marks in that answer are diminished, however good the subsequent portion of the essay may be.

In an organisation, an halo error occurs when an employee who works late constantly might be rated high on productivity and quality of output as well as on motivation. Similarly, an attractive or popular employee might be given a high overall rating. Rating employees separately on each of a number of performance measures and encouraging raters to guard against the halo effect are the two ways to reduce the halo effect.

? Pause and Ponder

Were you at any time a beneficiary or victim of halo error? Recollect and write down the details.

Rater Effect This includes favouritism, stereotyping, and hostility. Excessively high or low scores are given only to certain individuals or groups based on the rater's attitude towards the ratee, not on actual outcomes or behaviours. Sex, age, race and friendship biases are examples of this type of error.[17]

Primacy and Recency Effects The rater's ratings are heavily influenced either by behaviour exhibited by the ratee during the early stages of the review period (primacy) or by outcomes, or behaviour exhibited by the ratee near the end of the review period (recency).[18] For example, if a salesperson captures an important contract/sale just before the completion of the appraisal, the timing of the incident may inflate his or her standing, even though the overall performance of the sales-person may not have been encouraging. Likewise, a blunder committed just before the appraisal period may diminish chances of securing a favourable rating, even if the overall performance is good.

One way of guarding against such an error is to ask rater to consider the composite performance of the ratee and not to be influenced by one incident or one achievement. The rater must also be aware of the tendency on the part of the ratees to improve odds in their favour or suppress weak points during the rating period.

Perceptual Set This occurs when the rater's assessment is influenced by previously held beliefs. If the supervisor, for example, has a belief that employees hailing from one particular region are intelligent and hard working, his subsequent rating of an employee hailing from that region tends to be favourably high.

Performance Dimension Order Two or more dimensions on a performance instrument follow or closely follow each other and both describe or rotate to a similar quality. The rater rates the first dimension accurately and then rates the second dimension similar to the first because of their proximity. If the dimensions had been arranged in a significantly different order, the ratings might have been different.

Spillover Effect This refers to allowing past performance appraisal ratings to unjustifiably influence current ratings. Past ratings, good or bad, result in similar rating for the current period although the demonstrated behaviour does not deserve the rating, good or bad.

Status Effect It refers to overrating of employees in higher-level job or jobs held in high esteem, and underrating employees in lower-level job or jobs held in low esteem.

It is not the rater's errors alone that are barriers to accurate and valid measurement of employee performance. Barriers lie deep within the genetic and acquired makeup of all people concerned with performance appraisal. A wide variety of emotional, psychological, intellectual and physical factors that, at the first glance, may appear to be separate and irrelevant may combine in any number of ways during the appraisal process to completely neutralise or nullify any programme designed to measure employee performance (read also Exhibit 10.2).

Exhibit 10.2

Here is a bizzare case of performance appraisal. A pulp-making unit located at Harihar in Karnataka, hired 40 engineers in 1994, as management trainees. The new hires were fresh from, REC, Suratkal, and other prestigious institutions. Obviously they were toppers in their respective branches and institutions.

The management of the plant adopted a freakish policy with regard to performance appraisal—10 per cent of all the employees were to be rated below average. The management did not want all the employees to be ranked high, notwithstanding their excellent performance.

The axe fell on the trainees. The raters rated all the 40 trainees below average. Humiliated, these 40 put in their papers even before their training period expired.

Solving Rater's Problems The best way to overcome the problems is to provide training to the raters. At Hewlett-Packard, a two-day training course is organised every year to prepare managers to handle appraisals better. Not that training is a 'cure-all' for all the ills of appraisal systems. From a practical point of view, several factors, including the extent to which pay is related to performance ratings, union pressure, turnover rates, time constraints and the need to justify ratings may be more important than training, influencing the ratings they actually give. This means that improving rating systems involves not just training the raters but remedying outside factors such as union pressure. And it means that a rater training, to be effective, should also address real-life problems such as the fact that union representatives will try to influence supervisors to rate everyone high.[19]

But training can help improve the appraisal system to the extent of distortion that occurs due to the rater's errors such as halo, leniency, central tendency and bias. In a typical training, raters are shown a video-tape of jobs being performed and are asked to rate the worker. Ratings made by each participant are then placed on a flip chart and the various errors are explained. For example, if a trainee is rated on all criteria (such as quantity and quality) about the same, the trainer might explain that halo error had occurred. If, on the other hand, a trainer rated all video-taped workers very high, this might be explained as a leniency error. Typically, the trainer gives the correct rating and then illustrates the rating errors made.[20]

In effect, training of raters must help strengthen the factors that tend to improve accuracy of ratings and weaken those that lower the accuracy of the performance measurement.

Factors that help improve accuracy:

1. The rater has observed and is familiar with behaviours to be appraised.
2. The rater has documented behaviours to improve the recall.

3. The rater has a checklist to obtain and review job-related information.
4. The rater is aware of personal biases and is willing to take action to minimise their effect.
5. Rating scores by raters of one group or organisation are summarised and compared with those by other raters.
6. The rater focuses attention on performance-related behaviours over which the rater has better control than in other aspects of evaluation.
7. Higher levels of management are held accountable for reviewing all ratings.
8. The rater's own performance ratings are related to the quality of rating given and the performance of units.
9. Performance factors are properly defined.

Factors that may lower accuracy:

1. The rater rates ratees only when administrative actions are contemplated.
2. The rater tends to inflate ratings when the ratees receive scores and results of appraisals.
3. The rater tends to recall more behaviours known to be of particular interest to higher-level managers, whether or not they are pertinent, when his or her ratings are reviewed by such authorities.
4. The rater is unable to express himself or herself honestly and unambiguously.
5. Appraisal systems, processes and instruments fail to support the rater.
6. The rater is unaware of causes of rating errors.
7. The rater has to rate employees on factors that are poorly defined.[21]
8. Finally, the supervisor/rater must be trained to conduct the appraisal interview. For many raters, this is a difficult task, especially when the appraisal is unfavourable to the rater. Favourable or unfavourable rating, it is the job of the rater to convince the ratee about the appraisal, and advise him or her about the future course of action the ratee should take.

? Pause and Ponder

In most family-owned businesses, sons or daughters join fathers' business. In such scenarios, fathers are the bossess and offsprings are the subordinates. How should such bossess rate performance of their subordinates? Which of these errors are likely to occur?

What should be Rated? One of the steps in designing an appraisal programme is to determine the evaluation criteria. It is obvious that the criteria should be related to the job. The seven criteria for assessing performance are:[22]

1. ***Quality*** The degree to which the process or result of carrying out an activity approaches perfection in terms of either conforming to some ideal way of performing the activity, or fulfilling the activity's intended purpose.
2. ***Quantity*** The amount produced, expressed in monetary terms, number of units, or number of completed activity cycles.
3. ***Timeliness*** The degree to which an activity is completed or a result produced, at the earliest time desirable from the standpoints of both co-ordinating with the outputs of others and of maximising the time available for other activities.
4. ***Cost effectiveness*** The degree to which the use of the organisation's resources (e.g. human, monetary, technological and material) is maximised in the sense of getting the highest gain or reduction in loss from each unit or instance of use of a resource.

5. ***Need for supervision*** The degree to which a job performer can carry out a job function without either having to request supervisory assistance or requiring supervisory intervention to prevent an adverse outcome.
6. ***Interpersonal impact*** The degree to which a performer promotes feeling of self-esteem, goodwill and co-operation among co-workers and subordinates.
7. ***Community service*** Firms are increasingly emphasising on employees' community involvement. This is particularly true in educational institutions. One of the criteria for accreditation by National Assessment and Accreditation Council (NAAC) of any college or university is the involvement of staff in social activities.

   Mind Tree Consulting has a system in place where social activities are considered in assessing employee performance. Every employee in the company is evaluated on 100 points. While 60 of these come from his or her job performance, 40 points are given to how an employee is faring with respect to CLASS (caring, learning, achieving, sharing, and social conscience). Employees fill a self-appraisal form and demonstrate through anecdotes and personal experiences how they have acted on some of the values.

These criteria relate to past performance and behaviour of an employee. There is also the need for assessing, as was pointed out earlier, the potential of an employee for future performance, particularly when the employee is tipped for assuming greater responsibilities. (Read Exhibit 10.3 for an illustration of assessing potentials).

Exhibit 10.3 ***Appraisal of Potential at Philips***

More and more number of organisations are trying to assess potential of their employees, particularly at the managerial level. Cadbury India, Sandoz, Pfizer, Mafatlal, Philips, National Organic Chemical Industries, Glaxo and P&G are a few of the companies which seek to tap managerial potential.

At Philips a two-by-two matrix is used to assess performance and potential to perform. The vertical axis measures potential while the horizontal, actual performance (see Fig. 10.6). Both are further subdivided into parameters—high and low—resulting in four quadrants of classification.

Low potential–low performance. These employees are categorised as question marks. The company asks such employees to improve their performance levels. Failure to improve performance would result in their planned separation.

High potential–low performance. These are the problem children. In order to help them improve their performance, these employees are shifted to new locations to work and are closely monitored. If performance levels do not improve, these employees are reclassified as question marks and the separation process initiated.

High potential–high performance. These are the star performers. They have to be kept engaged with complex assignments all the time and groomed to take up the top positions. Otherwise, they might leave.

Low potential–high performance. These are called solid citizens and constitute 70 to 75 per cent of the total number of employees in any organisation. They have skills but lack the potential to grow beyond their current job-profile. The organisation has to constantly recognise their limitations and take care of their needs.

In order to assess employee potential, Philips has adopted the system that prevails at Philips NV, Holland. The system at Philips NV, uses four broad attributes—conceptual effectiveness, operational effectiveness, interpersonal effectiveness and achievement motivation. Each attribute has a five-point grading scale—excellent, very good, good/adequate, weak and insufficient.

While his final grade is based on what Philips calls shared understanding, the employee is also appraised by the management development review team, which consists of the functional heads with whom the appraisee has close interaction in the normal course of his/her job.

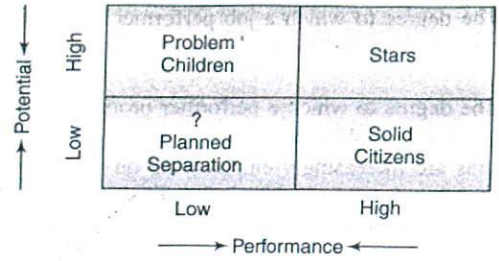


Fig. 10.6 The Philips Model

Source: Business Today, Jan. 7–12, 1996.

Coming to the six criteria, it may be stated that the first four—quality, quantity, timeliness and cost effectiveness—are objective in nature; and the last two—need for supervision and interpersonal impact—are subjective. Objective measures are quantifiable and are therefore highly useful in measuring the performance of an employee. But performance of employees should not always be evaluated against quantifiable measures. The performance of the manager of a bank, for example, should not always be evaluated against the amount of deposits mobilised for his or her bank. The effort put in by him/her, the contacts he/she has established, the image about the bank he/she has created in the eyes of public, and relationships he/she has maintained with subordinates speak more reliably about the manager's performance. Here comes the relevance of the subjective criteria. However, as subjective measures are dependent upon human judgements, they are prone to the kinds of errors we noted earlier—leniency or severity, central tendency, halo, and the like. To be useful, subjective measures must be based on a careful analysis of the behaviours viewed as necessary and important for effective job performance.

Of late, there has been a shift in focus of appraisals. The shift is from performance of the individual to the systems approach. As stated at the beginning of this chapter, in the systems approach the emphasis is on improving one's performance. Work performance of an individual depends on organisational factors in addition to his or her abilities. The focus in the systems approach is, therefore, the entire organisation.

Timing of Evaluation How often should an employee be assessed? The general trend is to evaluate once in three months, or six months, or once in a year. According to a survey conducted in 1997 by Arthur Anderson, 70 per cent of the organisations conduct performance appraisal once a year. Newly hired employees are rated more frequently than the older ones. Frequent assessment is better than phased evaluation. Feedback in the latter is delayed and the advantage of timely remedial measures by the employee is lost. Frequent evaluation gives constant feedback to the ratee, thus enabling him or her to improve performance if there is any deficiency. The performance of trainees and probationers should be evaluated at the end of respective programmes.

Performance appraisal can be conducted once in three months, six months or once in a year. Majority of the firms, however, conduct appraisal once in a year.

Methods of Appraisal The last to be addressed in the process of designing an appraisal programme is to determine method(s) of evaluation. Numerous methods have been devised to measure the quantity and quality of employee's job performance. Each of the methods discussed could be effective for some purposes, for some organisations. None should be dismissed or accepted as appropriate except as they relate to the particular needs of the organisation or of a particular type of employees.[23] Broadly, all the approaches to appraisal can be classified into (i) past-oriented methods, and (ii) future-oriented methods. Each group has several techniques as shown in Fig. 10.7.

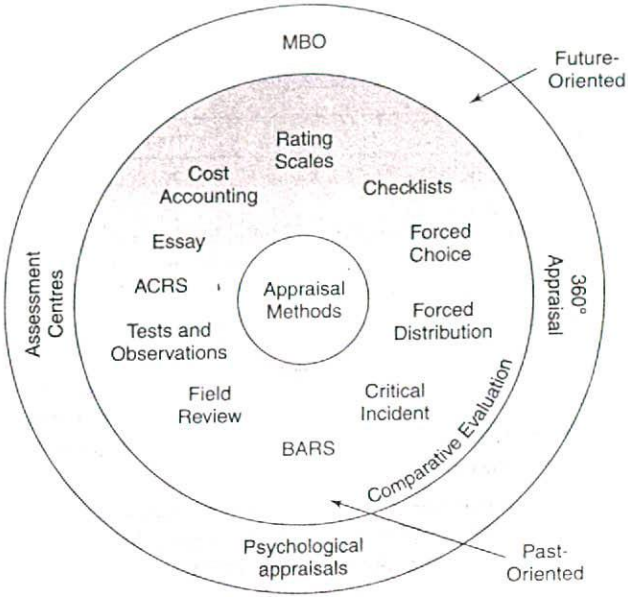


Fig. 10.7 Methods of Performance Appraisal

Past-oriented Methods

Rating Scales This is the simplest and most popular technique for appraising employee performance. The typical rating-scale system consists of several numerical scales, each representing a job-related performance criterion such as dependability, initiative, output, attendance, attitude, co-operation, and the like. Each scale ranges from excellent to poor. The rater checks the appropriate performance level on each criterion, then computes the employee's total numerical score (*see* Exhibit 10.4). The number of points scored may be linked to salary increases, whereby so many point equal a rise of some percentage.

Exhibit 10.4 ***Rating Scale***

Instructions: For the following performances factors, please indicate on the rating scale your evaluation of the employee named below:

Employee's Name _____ Dept. _____
Rater's Name _____ Date. _____

	Excellent 5	*Good* 4	*Acceptable* 3	*Fair* 2	*Poor* 1
1. Dependability	—	—	—	—	—
2. Initiative	—	—	—	—	—
3. Overall output	—	—	—	—	—
4. Attendance	—	—	—	—	—
5. Attitude	—	—	—	—	—
6. Co-operation	—	—	—	—	—
	—	—	—	—	—
	—	—	—	—	—

	—	—	—	—	—
	—	—	—	—	—
20. Quality of work	—	—	—	—	—
Total	+	+	+	+	
			Total score		

Source: William B. Werther and Keith Davis, *Human Resources and Personnel Management*, p. 349.

Rating scales offer the advantages of adaptability, relatively easy use and low cost. Nearly every type of job can be evaluated with the rating scale, the only requirement being that the job-performance criteria should be changed.[24] This way, a large number of employees can be evaluated in a short time, and the rater does not need any training to use the scale.

Nearly every type of job can be evaluated with the rating scale, the only requirement being that the job-performance criteria should be changed

The disadvantages of this method are several. The rater's biases are likely to influence evaluation, and the biases are particularly pronounced on subjective criteria such as co-operation, attitude and initiative. Furthermore, numerical scoring gives an illusion of precision that is really unfounded.

Checklist Under this method, a checklist of statements on the traits of the employee and his or her job is prepared in two columns—viz., a 'Yes' column and a 'No' column. All that the rater (immediate superior) should do is tick the 'Yes' column if the answer to the statement is positive and in column 'No' if the answer is negative. A typical checklist is given in Table 10.3. After ticking off against each item, the rater forwards the list to the HR department where the actual assessment of the employee takes place. In other words, the rater only does the reporting, while actual evaluation is done by the HR department. The HR department assigns certain points to each 'Yes' ticked. Depending on the number of 'Yes' the total score is arrived at. When points are allotted to the checklist, the technique becomes a *weighed checklist*. The advantages of a checklist are economy, ease of administration, limited training of rater, and standardisation. The disadvantages include susceptibility to rater's biases (especially the halo effect), use of personality criteria instead of performance criteria, misinterpretation of checklist items, and the use of improper weights by the HR department. Another disadvantage of this approach is that is does not allow the rater to give up relative ratings.

Table 10.3 **Checklist for Operators**

	Yes	*No*
1. Is the employee really interested in the job?	—	—
2. Does he or she possess adequate knowledge about the job?	—	—
3. Is his or her attendance satisfactory?	—	—
4. Does he or she maintain his or her equipment in good condition?	—	—
5. Does he or she co-operate with co-workers?	—	—
6. Does he or she keep his/her temper?	—	—
7. Does he or she obey orders?	—	—
8. Does he or she observe safety precautions?	—	—
9. Does he or she complete what he or she commences?	—	—
10. Does he or she evade responsibility?	—	—

Forced Choice Method In this, the rater is given a series of statements about an employee. These statements are arranged in blocks of two or more, and the rater indicates which statement is most or least descriptive of the employee. Typical statements are:

1. Learns fast ---------- works hard
2. Work is reliable ---------- performance is a good example for
3. Absents often ---------- others usually tardy.

As in the checklist method, the rater is simply expected to select the statements that describe the ratee. Actual assessment is done by the HR department.

In the forced choice method the rater is forced to select statements which are readymade.

This approach is known as the forced choice method because the rater is forced to select statements which are readymade. The advantage of this method is the absence of personal bias in rating. The disadvantage is that the statements may not be properly framed—they may not be precisely descriptive of the ratee's traits.[25]

Forced Distribution Method One of the errors in rating is leniency—clustering a large number of employees around a high point on a rating scale. The forced distribution method seeks to overcome the problem by compelling the rater to distribute the ratees on all points on the rating scale.

The forced distribution method operates under an assumption that employee performance level conforms to a normal statistical distribution.

The method operates under an assumption that the employee performance level conforms to a normal statistical distribution. Generally, it is assumed that employee performance levels conform to a bell-shaped curve. For example, the following distribution might be assumed to exist—excellent 10 per cent, good 20 per cent, average 40 per cent, below average 20 per cent, and unsatisfactory 10 per cent. Figure 10.8 illustrates the distribution.

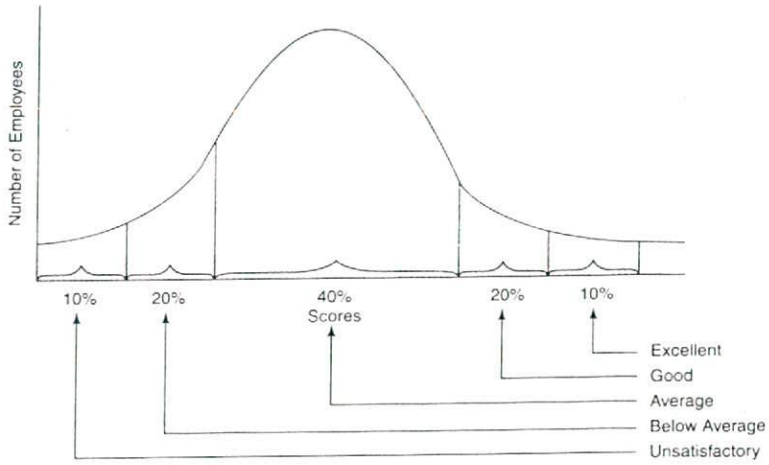


Fig. 10.8 Forced Distribution on a Bell-shaped Curve

The major weakness of the forced distribution method lies in the assumption that employee performance levels always conform to a normal (or some other) distribution. In organisations that have done a good job of selecting and retaining only the good performers, the use of forced distribution approach would be unrealistic, as well as possibly destructive to the employee morale.[26]

The error of central tendency may also occur, as the rater resists from placing an employee in the lowest or in the highest group. Difficulties also arise for the rater to explain to the ratee why he or she has been placed in a particular group. One merit of this approach is that it seeks to eliminate the error of leniency. However, the forced choice method is not acceptable to raters and ratees, especially, in small groups or when group members are all of high ability.

Critical Incidents Method The critical incidents method of employee assessment has generated a lot of interest these days. The approach focuses on certain critical behaviours of an employee that make all the difference between effective and non-effective performance of a job. Such incidents are recorded by the superiors as and when they occur. Examples of critical incidents of a plant manager are given in Table 10.4.[27]

Table 10.4 **Examples of Critical Incidents for an Assistant Plant Manager**

Continuing Duties	*Targets*	*Critical Incidents*
Schedule production for plant	Full utilisation of personnel and machinery in the plant; order delivered on time	Instituted new production scheduling system; decreased late orders by 10% last month; increased machine utilisation in plant by 20% last month
Supervise procurement of raw materials and inventory control	Minimise inventory costs while keeping adequate supplies on hand	Let inventory storage costs rise 15% last month; over-ordered parts "A" and "B" by 20%; under-ordered part "C" by 30%
Supervise machinery maintenance	No shutdowns due to faulty machinery	Instituted new preventative maintenance system for plant; prevented a machine breakdown by discovering faulty part

One of the advantages of the critical incidents method is that the evaluation is based on actual job behaviour. Further, the approach has descriptions in support of particular ratings of an employee. Giving job-related feedback to the ratee is also easy. It also reduces the recency bias, if raters record incidents throughout the rating period. Finally, this approach can increase the chances that the subordinates will improve because they learn more precisely what is expected of them. The method, however has significant limitations. These include:[28]

1. Negative incidents are generally more noticeable than positive ones.
2. The recording of incidents is a chore to the supervisor and may be put off and easily forgotten.
3. Overly close supervision may result.
4. Managers may unload a series of complaints about incidents during an annual performance review session. The feedback may be too much at one time and thus appear as a punishment to the ratee. More appropriately, the management should use incidents of poor performance as opportunities for immediate training and counselling.

Behaviourally Anchored Rating Scales Behaviourally anchored scales, sometimes called behavioural expectation scales, are rating scales whose scale points are determined by statements of effective and ineffective behaviours. They are said to be behaviourally anchored in that the scales represent a range of descriptive statements of

BARS are said to be behaviourally anchored as the **scales** represent a range of descriptive statements of behaviour varying from the least to the most effective.

behaviour varying from the least to the most effective. A rater must indicate which behaviour on each scale best describes an employee's performance. Behaviourally anchored rating scales (BARS) have the following features:[29]

A rater is expected to indicate which behaviour on each scale best describes an employee's performance.

1. Areas of performance to be evaluated are identified and defined by the people who will use the scales.
2. The scales are anchored by descriptions of actual job behaviour that, supervisors agree, represent specific levels of performance. The result is a set of rating scales in which both dimensions and anchors are precisely defined.
3. All dimensions of performance to be evaluated are based on observable behaviours and are relevant to the job being evaluated since BARS are tailor-made for the job.
4. Since the raters who will actually use the scales are actively involved in the development process, they are more likely to be committed to the final product. Figure 10.9 is an example of BARS.[30]

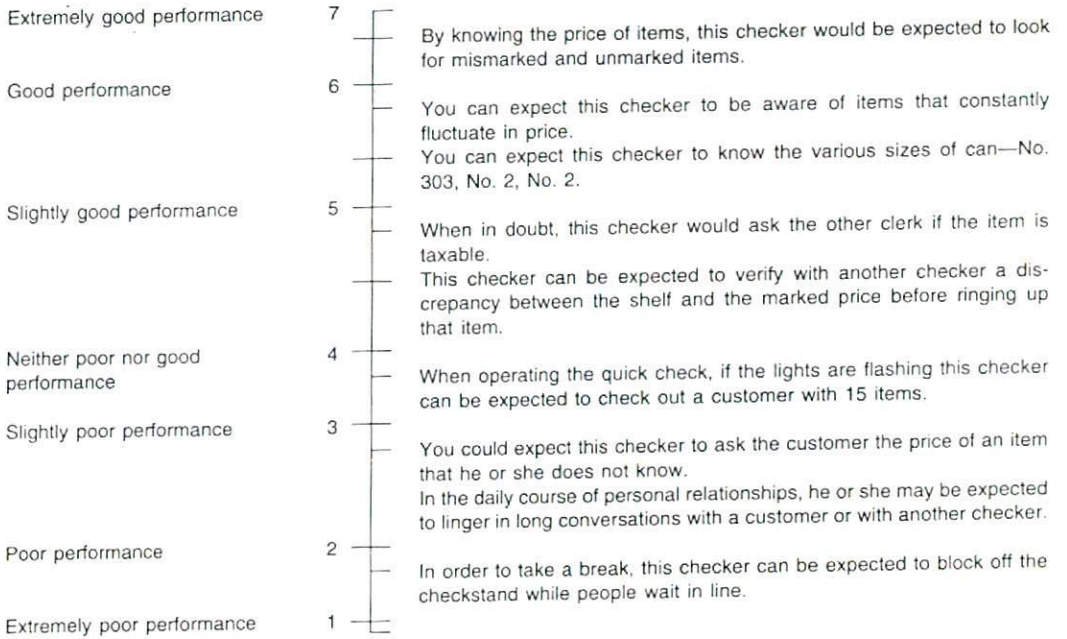


Fig. 10.9 A BARS Scale for the Knowledge and Judgement Dimension of a Grocery Checker's Job

Source: C. Hulin Fogh, and M.R. Blood, "Development of first-level Behavioural Job Criteria." *Journal of Applied Psychology*, 1971, 55 (1), pp. 3–8.

BARS were developed to provide results which subordinates could use to improve performance. Superiors would feel comfortable to give feedback to the ratees. Further, BARS help overcome rating errors. Unfortunately, this method too suffers from distortions inherent in most rating techniques.[31]

Field Review Method

This is an appraisal by someone outside the assessee's own department, usually someone from the corporate office or the HR department. The outsider reviews employee records and holds interviews with the ratee and

his or her superior. The method is primarily used for making promotional decisions at the managerial level. Field reviews are also useful when comparable information is needed from employees in different units or locations. Two disadvantages of this method are:[32]

The field review method is an appraisal by someone outside the assessee's own department, usually from corporate office or the HR department.

1. An "outsider" is usually not familiar with conditions in an employee's work environment which may affect the employee's ability or motivation to perform.
2. An 'outsider' review does not have the opportunity to observe employee behaviour of performance over a period of time and in a variety of situations, but only in an artificially structured interview situation which extends over a very short period of time.

Raters making field reviews normally receive training on how to conduct the interview and develop their writing skills. Being independent of the work scene, they normally have less bias for or against the ratee than does the immediate supervisor. Even when a supervisor or others concerned supply biased information, the rater may be able to pinpoint areas requiring training and development assistance.[33]

Performance Tests and Observations With a limited number of jobs, employee assessment may be based upon a test of knowledge or skills. The test may be of the paper-and-pencil variety or an actual demonstration of skills. The test must be reliable and validated to be useful. Even then, performance tests are apt to measure potential more than actual performance. In order for the test to be job related, observations should be made under circumstances likely to be encountered.[34] Practicality may suffer if costs of test development or administration are high.

Confidential Records Confidential records are maintained mostly in government departments, though its application in the industry is not ruled out. A typical Confidential Report (ACR) shall have 14 items—**(i)** attendance, **(ii)** self-expression (written or oral), **(iii)** ability to work with others, **(iv)** leadership, **(v)** initiative, **(vi)** technical ability (job knowledge), **(vii)** ability to understand new material, **(viii)** ability to reason, **(ix)** originality and resourcefulness, **(x)** areas of work that suits the person best, **(xi)** judgement, **(xii)** integrity, **(xiii)** responsibility and, **(xiv)** and indebtedness, memo served, etc. Twelve of these may be filled on a four-point grade scale (Excellent, Good, Fair and Poor). For integrity, there shall be special instructions from the management. Justification is required for outstanding or poor rating. Overall rating on a five-point scale may be separately given (Outstanding, Very good, Good, Average, Poor), again with justification for rating as outstanding or poor. Recommendations for promotion may be also given. The ACR to contain recommendations and signature of the rater, the head of the department and the CMD.

Confidential records are maintained mostly in government departments, though its application in the industry is not ruled out.

The confidential reports, as the name itself suggests, are highly secretive. As such they have no relevance now.

Essay Method In the essay method, the rater must describe the employee within a number of broad categories, such as **(i)** the rater's overall impression of the employee's performance, **(ii)** the promotability of the employee, **(iii)** the jobs that the employee is now able or qualified to perform, **(iv)** the strengths and weaknesses of the employee, and **(v)** the training and the development assistance required by the employee. Although this method may be used independently, it is most frequently found in combination with others. It is extremely useful in filing information gaps about the employees that often occur in the better structured checklist method.

Essay method is extremely useful in filing information gaps about the employees that often occur in the better structured checklist method.

The strength of the essay method depends on the writing skills and analytical ability of the rater. However, many raters do not have good writing skills. They become confused about what to say, how much they should state and the depth of the narrative. The essay method can consume much time because the rater

must collect the information necessary to develop the essay and then he or she must write it. The essay method also depends on the memory power of the rater.

A problem with this method is that the ratees may be rated on the quality of the appraisals that they give. The quality standard for the appraisal may be unduly influenced by appearance rather than content. Thus, a 'high quality' appraisal may provide little useful information about the performance of the ratee.[35]

Cost Accounting Method This method evaluates performance from the monetary returns the employee yields to his or her company. A relationship is established between the cost included in keeping the employee and the benefit the firm derives from him or her. Performance of the employee is then evaluated based on the established relationship between the cost and the benefit. Cost accounting method of evaluation has vast potential as increasingly firms are converting their training departments into profit centres. Profit-centre concept demands cost-benefit analysis.

Cost Accounting Method evaluates performance from the monetary returns the employee fields to his/her organisation.

Comparative Evaluation Approaches These are a collection of different methods that compare one worker's performance with that of his/her co-workers. Comparative appraisals are usually conducted by supervisors. As these appraisals can result in a ranking from best to worst, they are useful in deciding merit-pay increases, promotions and organisational rewards.[36] The usual comparative forms used in this kind of evaluation are the ranking method and the paired comparison method.

The comparative evaluation approaches compare one worker's performance with his/her co-workers.

Ranking Method In this, the superior ranks his or her subordinates in the order of their merit, starting from the best to the worst. All that the HR department knows is that A is better than B. The 'how' and 'why' are not questioned, nor answered. No attempt is made to fractionalise what is being appraised into component elements. This method is subject to the halo and recency effects, although rankings by two or more raters can be averaged to help reduce biases. Its advantages include ease of administration and explanation.[37]

Paired-comparison Method Under this method, the appraiser compares each employee with every other employee, one at a time. For example, there are five employees named A, B, C, D and E. The performance of A is first compared with the performance of B and a decision is made about whose performance is better. Then A is compared with C, D and E in that order. The same procedure is repeated for other employees. The number of comparisons may be calculated with the help of a formula which reads thus:

$\frac{N(N-1)}{2}$ where N stands for the number of employees to be compared. If there are 10 employees, the number of comparisons will be $\frac{10(10-1)}{2} = 45$.

After the completion of comparison, the results can be tabulated, and a rank is created from the number of times each person is considered to be superior.[38]

Future-oriented Appraisals Is it not enough if only the past performance is assessed. How an employee can perform in the days to come is equally important. This can be assessed by focussing on employee potential or setting future performance goals. The commonly used future-oriented techniques are MBO, psychological appraisals, and assessment centres.

Management by Objectives It was Peter F. Drucker who first gave the concept of MBO to the world way back in 1954 when his *The Practice of Management* was first published. The MBO concept, as was conceived by Drucker, reflects a management philosophy which values and utilises employee contributions. Application of MBO in the field of performance appraisal is a recent thinking.

Four Steps in the MBO Process

How MBO works can be described in four steps:

The *first* step is to establish the goals each subordinate is to attain. In some organisations, superiors and subordinates work together to establish goals. In others, superiors establish goals for subordinates. The goals typically refer to the desired outcome to be achieved. These goals can then by used to evaluate employee performance.

The *second* step involves setting the performance standard for the subordinates in a previously arranged time period. As subordinates perform, they know fairly well what there is to do, what has been done, and what remains to be done.

In the *third* step, the actual level of goal attainment is compared with the goals agreed upon. The evaluator explores reasons for the goals that were not met and for the goals that were exceeded. This step helps determine possible training needs. It also alerts the superior to conditions in the organisation that may affect a subordinate but over which the subordinate has no control.

The *final* step involves establishing new goals and, possibly, new strategies for goals not previously attained. At this point, subordinate and superior involvement in goal-setting may change. Subordinates who successfully reach the established goals may be allowed to participate more in the goal-setting process the next time. The process is repeated.

As with other approaches, MBO too has been criticised. One comment made against the approach is that it is not applicable to all jobs in all organisations. Jobs with little or no flexibility, such as assembly-line work, are not compatible with MBO. An assembly-line worker usually has so little job flexibility that the performance standards and objectives are already determined. The MBO process seems to be most useful with managerial personnel and employees who have a fairly wide range of flexibility and self-control in their jobs.[39] Besides, when the results of an MBO system are to be used to allocate organisational rewards, employees may be less likely to establish challenging goals—goals they are confident that they can accomplish. Further, the allocation of merit pay on a semi-annual or annual basis may encourage the setting up of goals with short term horizons to the disadvantage of important long-term goals.

The performance appraisal presently followed in L&T reflects the principles of MBO. Exhibit 10.5 illustrates the method used by the engineering giant.

Psychological Appraisals Large organisations employ full-time industrial psychologists. When psychologists are used for evaluations, they assess an individual's future potential and not past performance. The appraisal normally consists of in-depth interviews, psychological tests, discussions with supervisors and a review of other evaluations. The psychologist then writes an evaluation of the employee's intellectual, emotional, motivational and other-related characteristics that suggest individual potential and may predict future performance. The evaluation by the psychologist may be for a specific job opening for which the person is being considered, or it may be a global assessment of his or her future potential. From these evaluations, placement and development decisions may be made to shape the person's career. Because this approach is slow and costly, it is usually required for bright young members who, others think, may have considerable potential within the organisation. Since the quality of the appraisal depends largely on the skills of the psychologists, some employees object to this type of evaluation, especially if cross-cultural differences exist.[40]

Psychological appraisals focus on future potential and not actual performance. Industrial psychologists are employed for conducting the appraisal.

Exhibit 10.5 ***Larsen & Toubro, Human Resource Development—Performance Appraisal System***

CONFIDENTIAL PA FORM: 28	NAME	EMP. PS. NO.	CADRE	GROUP	DEPT.

EXECUTIVES & SUPERVISORS

LARSEN & TOUBRO LIMITED
HUMAN RESOURCE DEVELOPMENT—PERFORMANCE APPRAISAL SYSTEM
PERFORMANCE ANALYSIS AND REVIEW
APRIL 1993 TO MARCH 1994

	NAME	DATE	SIGNATURE
EMPLOYEE			
IMMEDIATE SUPERIOR			
NEXT SUPERIOR 1. 2.			
PERSONNEL/HRD DEPT.			

A PERFORMANCE REVIEW AGAINST OBJECTIVES		B1 By Immediate Superior				
A1 By Employee						
AGREED OBJECTIVES & TARGETS (Not more than five)	RESULTS ACHIEVED	Outstanding	V. Good	Good	Adequate	Inadequate
1.						
2.						
3.						
4.						
5.						

PPC:B5:F45:P5

A2	SELF REVIEW (by Employee)
SIGNIFICANT CONTRIBUTORS (JOB OR PROFESSION RELATED—NOT COVERED ABOVE)	
IMPORTANT FACTORS FACLITATING PERFORMANCE IMPORTANT FACTORS HINDERING PERFORMANCE	
B2	**PERFORMANCE AGAINST OBJECTIVES** (By Immediate Superior) ☐ OUTSTANDING ☐ V. GOOD ☐ GOOD ☐ ADEQUATE ☐ INADEQUATE

C	**Appraisal of Critical Attributes** (By Immediate Superior)		Outstanding	V. Good	Good	Adequate	Inadequate
C2	**Critical Attributes**						
1.	INNOVATIVENESS	Ability to think new and better ways of doing things that result in introduction of new ideas or improvements of the systems and operations.					
2.	INITIATIVE	Ability to determine and initiate actions that result in improved handling of jobs, without waiting to be told.					
3.	INTERPERSONAL & TEAM RELATIONSHIP	Ability to interact effectively with people at all levels to gain their confidence and respect and work in a collaborative and participative manner.					
4.	RESOURCEFULNESS	Ability to muster resources to achieve desired results and devise ways and means of solving problems in difficult situations.					
5.	COMMUNICATION SKILLS	Ability to convey thoughts and feelings clearly both through oral as well as written expressions for better understanding.					
Specific role related attributes (Identified in the beginning of the year)							
6.							
7.							

C2	**Areas of Strengths & Improvements** (By Immediate Superior)

C3	**Potential Areas of Growth** (By Immediate Superior)

D	**Recommendations for Training & Development** (By Immediate Superior)			
D1	IN-COMPANY TRAINING PROGRAMMES			
	Description	Code	Description	Code
1.		2.		
D2	OTHER TRAINING PROGRAMMES			
1.		2.		
D3	SPECIFIC DEVELOPMENT PLANS			
	Proposed Action (Tick as applicable)		Details of Actions Required	
	Job Rotation Job Enlargement Special Assignment Deputation of Other Dept. Other (Please Specify)			
E	**Comments by Next Superior(s)**			
E1	On Specific Development Plans Stated Above in D3			
E2	Overall Observations:			
F	**For Use by Personnel/HRD Co-ordinator**			

Assessment Centres Mainly used for executive hiring, assessment centres are now being used for evaluating executive or supervisory potential. An assessment centre is a central location where managers may come together to have their participation in job-related exercises evaluated by trained observers. The principal idea is to evaluate managers over a period of time, say one to three days, by observing (and later evaluating) their behaviour across a series of select exercises or work samples. Assessees are requested to participate in in-basket exercises, work groups (without leaders), computer simulations, role paying, and other similar activities which require the same attributes for successful performance, as in the actual job. After recording their observations of ratee behaviours, the raters meet to discuss these observations. The decision regarding the performance of each assessee is based upon this discussion of observations. Self-appraisal and peer evaluation are also thrown in for final rating.

The characteristics assessed in a typical assessment centre include assertiveness, persuasive ability, communicating ability, planning and organisational ability, self-confidence, resistance to stress, energy level, decision-making, sensitivity to the feelings of others, administrative ability, creativity, and mental alertness. It is a formidable list which is quite difficult to measure accurately over three days, though there would be sizeable number of trained observers and psychologists.

An **assessment centre** is a central location where managers may come together to have their participation in job-related exercises evaluated by trained observers. Mostly used for executive hiring, assessment centres are now being used for evaluating executive or supervisory potential. Assessment centres have many takers as Exhibit 10.6 reveals.

First developed in the US and the UK in 1943, the assessment centre is gaining popularity in our country. Crompton Greaves, Eicher, HUL and Modi Xerox are using the technique with results being highly positive (Also see Exhibit 10.6).

Exhibit 10.6 ***Assessment Centre—Many Takers***

- Ranbaxy retained the services of a team of psychologists from the UK-based Kelly & King to take the executives (of Ranbaxy) through an assessment center. 20 star managers went through the exercise.
- Santrupt Misra, Director— Birla Management Corporation had plans for a similar exercise to be held at Gyanodaya, the Aditya Birla learning centre. Misra first used the assessment centre concept four years ago on 150 middle and senior level managers.
- Old timers like Tata have created their own assessment centers, and so have the talent centric companies like Wipro and Cognizant.
- SHL, a HR consulting firm has worked with over 100 companies conducting close to 1,000 assessment centers.
- Consulting firm ECS (formerly known as Eicher Consulting Services) does a number of assessments in a month for a variety of clients like Tata Steel, ING Vysya and the host of BPO outfits.
- ICICI Bank uses assessment centre as a recruitment and selection tool to find the best talent, while GE India subsidiary GECIS has used it on 20% of its middle managers.[41]

The problem with the assessment centres is their cost. Not only are the assessees away from their jobs while the company pays for their travel and lodging, but the evaluators are often company managers who are assigned to the assessment centre for short durations. These managers are often supplemented by psychologists and HR specialists who run the centre and also make evaluations. Hence this approach is cost-effective only in large organisations.

Assessment-centre staff are often influenced by subjective elements, such as personality of the candidates. Raters tend to evaluate the quality of the individual's social skills rather than the quality of the decisions he/she makes. Assessment-centre ratings seem to be strongly influenced by the participant's interpersonal skills.

The approach also involves real hazards. One of the most obvious is the examination-taking syndrome. Solid performers in day-to-day operations feel suffocated in the simulated environment. Another drawback is its potential adverse effect on those not selected to participate in the exercise.

Employees who receive a poor report from the centre may react in negative ways. Ideally, a rejected employee would return to his or her former job, satisfied that he or she would not be promoted to a job he or she could not handle. However, a good performer at one level may leave the organisation in order to remove the bad assessment report from his or her work record. Thus, a poor report can demoralise an employee who was once an asset.[42]

Other problems include—strong and unhealthy sense of competition among the assessees; difficulty of conducting the test frequently; and the possibility of overemphasising the test performance.

But a well-conducted assessment centre can and does achieve better forecasts of future performance and progress than other methods of appraisal. Also, reliability, content validity, and predictive validity are said to be high in the assessment centres.

The test also makes sure that the wrong people are not hired or promoted. Finally, the assessment-centre test clearly defines the criteria for selection and promotion.

360-Degree Feedback As stated earlier, where multiple raters are involved in evaluating performance, the technique is called 360-degree appraisal. The 360-degree technique is understood as systematic collection of performance data on an individual or group, derived from a number of stakeholders—the stakeholders being the immediate supervisors, team members, customers, peers, and self.[43] In fact, anyone who has useful information on 'how an employee does the job' may be one of the appraisors.

The 360-degree technique is understood as systematic collection of performance data on an individual or group, derived from a number of stakeholders.

The 360-degree appraisal provides a broader perspective about an employee's performance. In addition, the technique facilitates greater self-development of the employees. For one's development, multi-source feedback is highly useful. It enables an employee to compare his or her perceptions about self with perceptions of others. Besides, the 360-degree appraisal provides formalised communication links between an employee and his or her customers. It makes the employee feel much more accountable to his or her internal or external customers. The technique is particularly helpful in assessing soft skills possessed by employees. By design, the 360-degree appraisal is effective in identifying and measuring interpersonal skills, customer satisfaction, and team-building skills.

However, there are drawbacks associated with the 360-degree feedback. Receiving feedback on performance from multiple sources can be intimidating. It is essential that the organisation create a non-threatening environment by emphasising the positive impact of the technique on an employee's performance and development. Further, firms that use the technique take a long time on selecting the rater, designing questionnaires, and analysing the data. In addition, multiple raters are less adept at providing a balanced and objective feedback than the supervisors who are sought to be replaced. Raters can have enormous problems separating honest observations from personal differences and biases.

Pitfalls notwithstanding, more and more number of firms are using the 360-degree appraisal technique to assess the performance of their employees. (Also see Appendix 1)

4. Appraise the Performance

The next step in the appraisal process is to measure the performance. We revert to the moral of the story narrated in the beginning of this chapter. The moral taught us that we need to measure the performance and not mere activities.

What then is performance? Performance is essentially what an employee does or does not do. Employee performance common to most jobs include the following elements:[44]

- Quantity of output
- Quality of output
- Timeliness of output
- Presence at work
- Cooperativeness.

In addition to these, other elements that deserve assessment, as told in the beginning of this chapter, are job knowledge, leadership abilities, judgement, supervision, versatility and health. Assessment should also include one's potential to perform and not just actual performance.

Performance measurement needs to be based on the benchmarks listed above. These benchmarks vary from job to job. The job of a professor needs to be assessed against parameters that are different to those used to evaluate the performance of a sales representative.

5. Performance Management

Performance appraisal provides feedback about employee job performance. Getting feedback is not enough. Three more activities need to be undertaken to complete the process: performance interview, archiving

performance data, and use of appraisal data. These three activities constitute the core of performance management.

Performance Interview Performance interview is another step in the appraisal process (Fig. 10.2). Once appraisal has been made of employees, the raters should discuss and review the performance with the ratees, so that they will receive feedback about where they stand in the eyes of superiors. Feedback is necessary to effect improvement in performance, specially when it is inadequate. Specifically, performance interview has three goals: **(i)** to change behaviour of employees whose performance does not meet organisational requirements or their own personal goals, **(ii)** to maintain the behaviour of employees who perform in an acceptable manner, and **(iii)** to recognise superior performance behaviours so that they will be continued.[45]

Raters offer feedback to the ratees through several methods—tell and sell, tell and listen, problem solving and mixed. In *tell and sell*, also called *directive interview*, the interviewer lets assessees know how well they are doing and sells them on the merits of setting specific goals for improvement, if needed. The *tell and listen* interview provides the subordinates with chances to participate and establish a dialogue with their superiors. Its purpose is to communicate the rater's perceptions about the ratee's strength and weaknesses and let the subordinates respond to those perceptions. In the *problem-solving* or participative interview, an active and open dialogue is established between the superior and the subordinate. Not only are perceptions shared, but also solutions to problems are presented, discussed, and sought. *Mixed* interview is a combination of tell and sell and problem-solving interviews.[46]

Whatever be the approach followed, the emphasis in the interview should be on counselling and development and not on criticism, witch-hunting and buck passing. Because of the significance of appraisal interview, every effort must be made to make it effective. Guidelines given in Table 10.5 will help make the interview successful.[47]

Table 10.5 **Guidelines for Effective Appraisal Interview**

• Select a good time
• Minimise interruptions
• Welcome, set at ease
• Start with something positive
• Ask open-ended questions to encourage discussion
• Listen
• Manage eye contact and body language
• Be specific
• Rate behaviour, not personality
• Layout development plan
• Encourage subordinate participation
• Complete form
• Set mutually agreeable goals for improvement
• End in a positive, encouraging note
• Set time for any follow-up meetings

6. Archiving Performance Data

Organisations need to archive or store the appraisal data so that at any point in future, the information can be retrieved and used. For example, if an employee has been told that he or she was not promoted because of below average performance and he or she would be considered favourably for a jump in status and remuneration provided the performance improves. The HR manager should have those details to convince the employee concerned when he or she joins issue with the management on matters relating to promotion. Other issues such as pay hike, confirmation of probationary services, affirmative actions and the like deserve reference to the past information. Archiving appraisal data is not just desirable but essential too.

7. Use of Appraisal Data

The final step in the evaluation process is the use of evaluation data. The data and information generated through performance evaluation must be used by the HR department.

It may be recollected that the most significant rewards employers offer to employees are:

1. Money to purchase goods and services required not only for current and future survival, but also for the luxuries modern life has to offer.
2. The opportunity to use innate and learned skills and talents in a productive manner that the individual and his or her managers and co-workers recognise as valuable.
3. Opportunities to interact with other people in a favourable working environment.
4. Opportunities to learn, grow, and make full use of their potential.
5. A sense of performance and stability through the continuing existence of the organisation and the job.
6. The opportunity to perform work assignments within an environment that not only protects, but promotes physiological, emotional and psychological health.[48]

In one way or another, data and information outputs of a performance-appraisal programme can critically influence these coveted employer–employee reward opportunities.[49] Specifically, the data and information will be useful in the following areas of HRM:

1. Remuneration administration
2. Validation of selection programmes
3. Employee training and development programmes
4. Promotion, transfer and lay-off decisions
5. Grievance and discipline programmes
6. HR planning

EDWARD DEMING ON PERFORMANCE APPRAISAL

Towards the end of this section, it is worthwhile to note Edward Deming's views on performance evaluation. Deming is opposed to employee assessment, because it:

1. Rewards people for manipulating the system rather than improving it,
2. Is often self-defeating,
3. Is inconsistent with team-work,
4. Acts as a substitute for proper management, and
5. Is inherently unfair.

His alternatives to performance appraisal are:

1. Meticulous selection of leaders,
2. Educating workers about their obligations, and improved training and education after selection,
3. Getting leaders to function as colleagues rather than as judges,
4. Subordinate performance to be assessed using statistical data,

5. Three to four hours interview annually, with subordinates aimed at support and encouragement, and
6. Accommodation to lone workers.[50]

CHALLENGES OF PERFORMANCE APPRAISAL

With the increased significance of performance appraisal, challenges confronting the system are mounting. One serious challenge facing the performance appraisal system relates to assessment of self-managed teams. Popularly called *empowered teams*, these self-managed teams create special challenges for performance appraisal—empowered teams perform without supervisors. Historically, if one recalls, it is the supervisor who assesses the performance of his or her subordinates. Another challenge is that both, individual and team performance, need to be measured. A suitable device needs to be developed to assess the performance of empowered teams because more and more firms use such teams to enhance productivity. Figure 10.10 contains a typical model of team appraisal.

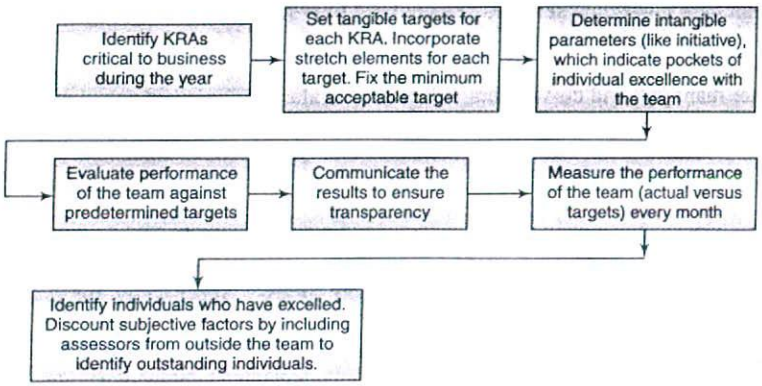


Fig. 10.10 Appraising Teams

Table 10.6 contains other challenges of performance appraisal.

Table 10.6 Challenges of Appraisal

• Create a culture of excellence that inspires every employee to improve and lend himself or herself to be assessed
• Align organisational objectives to individual aspirations
• Clear growth paths for talented individuals
• Provide new challenges to rejuvenate careers that have reached the plateau stage
• Forge a partnership with people for managing their careers
• Empower employees to make decisions without the fear of failing
• Embed teamwork in all operational processes
• Debureaucratise the organisation structure for ease of flow of information

LEGAL ISSUES ASSOCIATED WITH PERFORMANCE APPRAISAL

Performance appraisal data, as stated earlier, are used to make many important HR decisions (e.g. pay, promotion, training, transfer, and termination). The appraisal system is a common target of legal disputes by employees involving charges of unfairness and bias. An employee may seek the legal recourse to obtain relief from a discriminatory performance appraisal. One such case goes back to 1980s. In 1981, three junior employees of Williamson Magor were promoted superseding 15 of their senior workmen. The basis for promotion, was "recommendations of the departmental heads and other authorities". The 15 workmen challenged the promotion given to the three workmen in the Supreme Court and the court upheld the contention of the petitioners on the ground that the said recommendations of departmental heads and authorities were arbitrary and could not be the main basis for effecting promotions (*vide* Workmen of Williamson Magor and Co. Ltd vs Williamson Magor and Co. Ltd, 1981).

There are several recommendations to assist employees in conducting fair performance appraisal and avoiding legal suits. Gleaned from case laws, these recommendations are intended to be prescriptive measures that employers should take to develop fair and legally defensible performance appraisal systems.[51]

1. Legally Defensible Appraisal *Procedures*

- All personnel decisions should be based on a formal standardised performance appraisal system.
- Any performance appraisal process should be uniform for all employees within a job group, and decisions based on those performance appraisals should be monitored for differences according to race, sex, national origin, religion, or age of the employees. While obtained differences as a function of any of these variables are not necessarily illegal, an organisation will have more difficulty defending an appraisal system with ratings related to these variables.
- All specific performance standards should be formally communicated to employees.
- All employees should be able to review their appraisal results.
- There should be a formal appeal process for the ratee to rebut rater judgements.
- All raters should be provided with written instructions and training on how to conduct appraisals properly to facilitate systematic, unbiased appraisals.
- All personnel decision-makers should be well-informed of anti-discrimination laws. They should be made aware of the fine distinctions between legal and illegal activities regarding decisions based on appraisals.

2. Legally Defensible Appraisal *Content*

- Any performance appraisal content should be based on a job analysis.
- Appraisals based on traits should be avoided.
- Objectively verifiable performance data (e.g. sales, productivity, not ratings) should be used whenever possible.
- Constraints on an employee's performance that are beyond the employee's control should be prevented from influencing the appraisal to ensure that the employee has an equal opportunity to achieve any given performance level.
- Specific job-related performance dimensions should be used rather than global measures or single overall measures.
- The performance dimensions should be assigned weights to reflect their relative importance in calculating the composite performance score.

3. Legally Defensible *Documentation* of Appraisal Results

- A thoroughly written record of evidence leading to termination decisions should be maintained (e.g. performance appraisals and performance counselling to advise employees of performance deficit, and to assist poor performers in making needed improvements).
- Written documentation (e.g. specific behavioural examples) for extreme ratings should be required and they must be consistent with the numerical ratings.
- Documentation requirements should be consistent among the raters.

4. Legally Defensible *Raters*

- The raters should be trained in 'how to use an appraisal system'.
- The raters must have the opportunity to observe the ratee first-hand or to review important ratee performance products.
- Use of more than one rater is desirable in order to lessen the amount of influence of any one rater and to reduce the effects of biases. Peers, subordinates, customers, and clients are possible sources.

PART II—JOB EVALUATION

Job evaluation seeks to determine the relative worth of each job so that salary differentials can be established. In job evaluation only jobs are rated unlike in performance appraisal where only job holders are rated.

Job evaluation is the process of analysing and assessing the various jobs systematically to ascertain their relative worth in an organisation. Jobs are evaluated on the basis of their content and are placed in the order of their importance. In this way, a job hierarchy is established in the organisation, the purpose being fixation of satisfactory wage differentials among various jobs.

It should be noted that in a job evaluation programme, the jobs are ranked and not the job holders. Job holders are rated through performance appraisal. Table 10.7 brings the difference between job evaluation and performance appraisal to sharp focus.[52]

Table 10.7 **Differences Between Job Evaluation and Performance Appraisal**

Job Evaluation	*Performance Appraisal*
1. The job is rated, keeping in view such factors as responsibility, qualification, experience, working conditions, etc. required for performance of the job.	Employee is rated on the basis of his or her performance.
2. A job is rated before the employee is appointed to occupy it.	Evaluation takes place after the employee has been hired and placed on a job.
3. The purpose is to establish satisfactory wage differentials.	The purpose is to effect promotions, offer reward, award punishments, assess training needs, resort to lay-offs, transfers, etc.

(*Contd*)

(*Contd*)

Job Evaluation	*Performance Appraisal*
4. It is not compulsory. Many organisations carry on without it. Where it is followed, it is mainly for lower level jobs.	Compulsory. It is done regularly for all jobs.
5. Job evaluation committee (comprising internal and external experts) is constituted for the purpose of evaluation.	Appraisal is done by employees themselves, peers, superiors, group of people, or combinations of these.

Scope of Job Evaluation

In theory, application of job evaluation is universal. In other words, principles of job evaluation are relevant to all jobs and in all organisations. However, in practice, the technique of job evaluation is followed in a few companies and that too for hourly-rated jobs. To our knowledge, out of several plants located in and around Bangalore, only NGEF and the KEC have had their job evaluation conducted. In both, only hourly-rated jobs were covered under the scheme.

In organisations where job evaluation is not followed, wage and salary differentials are established, not on the basis of systematic job ranking, but on such factors as demand for and supply of labour, ability to pay, industrial parity, collective bargaining and the like. Even in such organisations, job evaluation will be useful inasmuch as the technique provides objective pay structure from which modifications can be made.

? Pause and Ponder

Why is job evaluation not so pervasive as performance appraisal?

JOB EVALUATION PROCESS

The job-evaluation process starts with defining objectives of evaluation and ends with establishing wage and salary differentials. Figure 10.11 outlines the job-evaluation process.

The main objective of job evaluation, as was stated earlier, is to establish satisfactory wage and salary differentials. Job analysis should precede the actual programme of evaluation. Job analysis, as was discussed in Chapter 5, provides job-related data which would be useful in drafting job description and job specification.

A job-evaluation programme involves answering several questions. The major ones are: **(i)** Which jobs are to be evaluated? **(ii)** Who should evaluate the jobs? **(iii)** What training do the evaluators need? **(iv)** How much time is involved? **(v)** What should be the criteria for evaluation? **(vi)** What methods of evaluation are to be employed?

Which Jobs are to be Evaluated?

In any exercise, where there are more than 30 or 40 jobs to be evaluated, it is necessary to identify and select a sample of benchmark jobs which can be used for comparisons inside and outside the organisations. The benchmark jobs should be so selected to achieve representative sample of each of the main levels of jobs in each of the principal occupations.

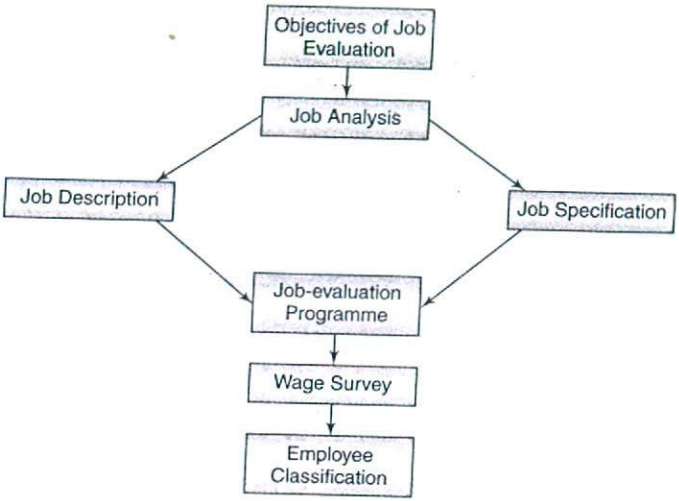


Fig. 10.11 Job-evaluation Process

The size of the sample depends on the number of different jobs to be covered. It is unlikely to be less than about five per cent of the total number of employees in the organisation and it would be difficult to produce a balanced sample unless at least 25 per cent of the distinct jobs at each level of the organisation were included. The higher the proportion the better the evaluation, bearing in mind the time required to analyse jobs (seldom less than one man-day for each job).[53]

Staffing the Evaluation Exercise

Job evaluation, as was pointed out earlier, is done by a committee which consists of heads of various departments, representatives of employee unions and specialist drawn from the National Productivity Council. An HR specialist will be normally the chairman of the committee.

Responsibility for the overall co-ordination of the job-evaluation programme should be in the hands of a senior executive who can then report its progress to the board, and advise it on ensuring wage and salary development.

Training for the Committee

Members of the job-evaluation committee should be trained in its procedure so as to make the programme successful. Training is given through series of meetings in which the following issues are generally discussed and the doubts cleared:[54]

1. What is job evaluation?
2. Why does this company need job evaluation?
3. How will it work?
4. How does it affect promotion policy?
5. How will the systems be kept up-to-date?
6. Does job evaluation mean that everyone whose job is in the same grade gets the same rate of pay?
7. How does the publication of job grades and salary bands affect confidentiality?
8. How does the system cater to additional or alterations in jobs?

9. What happens if an individual disagrees with his grading?
10. How quickly will appeals on grading be dealt with?
11. How will the company go about grading new jobs created as the result of change or expansion?

Answers should be tailored to suit proposed company practices.

Time Factor

Job evaluation should not be conducted in haste. Any rushing through will lead to appeals against the grading of jobs. Eight jobs in a day can be the ideal pace. After this, the quality of evaluation tends to drop, and more time has to be spent later in checking and assessing the validity of the grading. The final review of all the grades allocated to check that no inconsistencies have occurred, should be done meticulously and enough time should be allowed for re-evaluation, if necessary.

Isolating Job-evaluation Criteria

The heart of job evaluation is the determination of the criteria for evaluation. Most job evaluations use responsibility, skill, effort and working conditions as major criteria. Other criteria used are difficulty, time-span of discretion, size of subordinate staff, and degree of creativity needed. It needs no emphasis that job-evaluation criteria vary across jobs.

METHODS OF JOB EVALUATION

Job-evaluation methods are of two categories—non-analytical and analytical (*see* Fig. 10.12).



Fig. 10.12 Methods of Job Evaluation

Non-analytical Methods

Ranking and job-classification methods come under this category because they make no use of detailed job factors. Each job is treated as a whole in determining its relative ranking.

Ranking Method This is the simplest, the most inexpensive and the most expedient method of evaluation. The evaluation committee assesses the worth of each job on the basis of its title or on its contents, if the latter is available. But the job is not broken down into elements or factors. Each job is compared with others and its place is determined.

The method has several drawbacks. Job evaluation may be subjective as the jobs are not broken into factors. It is hard to measure whole jobs.

Job-grading Method As in the ranking method, the job-grading method (or job-classification method) does not call for a detailed or quantitative analysis of job factors. It is based on the job as a whole. The

difference between the two is that in the ranking method, there is no yardstick for evaluation, while in the classification method, there is such an yardstick in the form of job classes or grades. Under the classification method, the number of grades is first decided upon, and the factors corresponding to these grades are then determined. Facts about jobs are collected and are matched with the grades which have been established (*see* Exhibit 10.7).

Exhibit 10.7 ***Job Grading***

JOB-CLASSIFICAITON SCHEDULE

Level or grade	Definition
1.	Very simple tasks of a largely physical nature.
2.	Simple tasks carried out in accordance with a small number of clearly defined rules, tasks which can be carried out after a short period of training of up to two or three weeks. The work is checked and closely supervised.
3.	Straight-forward tasks, but involving more complicated routines and requiring some knowledge and alertness on the part of the worker because the job is subject to occasional checks.
4.	Tasks calling for independent arrangement of work, the exercise of some initiative, and those which require little supervision. Detailed familiarity with one or more branches of established procedures is required.
5.	Routine work but those involving an individual degree of responsibility for answering non-routine queries and/or exercising some measure of control over a small group of staff.
6.	Non-routine work, involving the co-ordination of several lower-grade functions, possibly some measure of control over a small group of staff. Also, non-routine work involving recognised individual knowledge and some responsibility without follow-up.
7.	Work necessitating responsibility for sections involved in routine tasks and/or where individual tasks are undertaken, calling for a specialist's knowledge.

The essential requirement of the job-grading method is to frame grade descriptions to cover discernible differences in degree of skill, responsibility and other job characteristics. Job grades are arranged in the order of their importance in the form of a schedule. The lowest grade may cover jobs requiring greater physical work under close supervision, but carrying little responsibility. Each succeeding grade reflects a higher level of skill and responsibility, with less and less supervision.

The advantages of the job-classification method include its simplicity and inexpensiveness. Secondly, in organisations where number of jobs is small, this method yields satisfactory results.

The disadvantages of the method are: **(i)** job grade descriptions are vague and are not quantified; **(ii)** difficulty in convincing employees about the inclusion of a job in a particular grade because of vagueness of grade descriptions; and **(iii)** more job classification schedules need to be prepared because the same schedule cannot be used for all types of jobs.

Analytical Methods

These include the point-ranking method and the factor-comparison method.

Point-Ranking Method The system starts with the selection of job factors, construction of degrees for each factor, and assignment of points to each degree. Different factors are selected for different jobs, with accompanying differences in degrees and points. The National Electrical Manufacturer's Association (NEMA),

USA, has given the factors, degrees and points for hourly rated (*see* Table 10.8) and salaried jobs (*see* Table 10.9).

Table 10.8 **Factors, Degrees and Points for Hourly Rated Jobs**

Factors	*I Degree*	*II Degree*	*III Degree*	*IV Degree*	*V Degree*
Skill					
1. Education	14	28	42	56	70
2. Experience	22	44	66	88	110
3. Initiative and ingenuity	14	28	42	56	70
Effort					
4. Physical demand	10	20	30	40	50
5. Mental and/or visual demand	5	10	15	20	25
Responsibility					
6. Responsibility for equipment or process	5	10	15	20	25
7. Responsibility for materials or product	5	10	15	20	25
8. Responsibility for safety of others	5	10	15	20	25
9. Responsibility for work of others	5	10	15	20	25
Job conditions					
10. Working conditions	10	20	30	40	50
11. Hazards	5	10	15	20	25

Table 10.9 **NEMA Manual for Salaried Jobs**

Factors	*I Degree*	*II Degree*	*III Degree*	*IV Degree*	*V Degree*	*VI Degree*	*VII Degree*	*VIII Degree*
1. Education	20	40	60	80	100	120	—	—
2. Experience	25	50	75	100	125	150	175	200
3. Complexity of duties	20	40	60	80	100	—	—	—
4. Monetary responsibility	5	10	20	40	60	—	—	—
5. Contacts	5	10	20	40	60	—	—	—
6. Working conditions	5	10	15	20	25	—	—	—
Add for supervisory jobs only								
7. Type of supervision	5	10	20	40	60	—	—	—
8. Extent of supervision	5	10	20	40	60	—	—	—

The range of score and grades is also predetermined—for example, from 210 to 230 points, the 5th grade; 231 to 251 points, the 6th grade; and so forth. A given job is placed in a particular grade, depending on the number of points it scores.

The advantages of point system are:

1. A job is split into a number of factors. The worth of each job is determined on the basis of its factors and not by considering the job as a whole.
2. The procedure adopted is systematic and can easily be explained to the employees.
3. The method is simple to understand and easy to administer.

At least two defects are noticed in the point system. *First*, employees may disagree with the points allotted and to factors and their degrees identified. *Second*, serious doubts are expressed about the range of points allotted and matching them with the job grades. For example, a score range of 238 to 249 is grade seven and the next range of 250 to 271 is grade six. A variation of one point makes all the difference.

Factor-Comparison Method The factor-comparison method is yet another approach for job evaluation in the analytical group. Under this method, one begins with the selection of factors, usually five of them—mental requirements, skill requirements, physical exertion, responsibility, and job conditions. These factors are assumed to be constant for all the jobs. Each factor is ranked individually with other jobs. For example, all the jobs may be compared first by the factor 'mental requirements'. Then the skills factor, physical requirements, responsibility, and working conditions are ranked. Thus, a job may rank near the top in skills but low in physical requirements. Then total point values are then assigned to each factor. The worth of a job is then obtained by adding together all the point values.

An advantage of the factor-comparison method is that jobs of unlike nature—for example, manual, clerical and supervisory—may be evaluated with the same set of factors. But the method is complicated and expensive.

Wage Survey

Now that the job hierarchy has been established with the help of evaluation method(s), it is time to fix wage and salary differentials. Before fixing such differentials, the wage rate must be ascertained. It is here that wage survey assumes relevance.

The first step in a wage survey is to select key jobs, the duties of which are clearly defined, reasonably stable, and representative of all levels of job. Thus, a sample of jobs is created. Secondly, a sample of firms in the labour-market area must be chosen. The labour market for different jobs can vary from local to regional to national in scope. With both samples being selected, the final task is to obtain appropriate wage information, taking care to ensure that the job comparisons being made are valid. Job content, the varying qualities of personnel on these jobs, and the total compensation programme must be carefully analysed, compared, and equated. (Wage and salary survey will be explained in greater detail in the next chapter.)

Employee Classification

The last phase in the job-evaluation process is to establish employee classification. Employee classification is the process of assigning a job title to every employee in the organisation. For clearly definable jobs, employee classification is easy, for example, cashier in a bank. The cashier's job is to handle cash and not to maintain ledgers.

Where jobs involved are of a family type, employee classification is a difficult task. Examples of job families are typists, clerk-cum-typists, stenographers and secretarial group. A woman employed in an office may do typing, take dictation by shorthand and transcribe it, answer the telephone, sort and distribute the

mail, compose routine letters for her boss and so on. Will her designation be stenographer or secretary? The decision is of vital concern both to the employee and the employer.

Pitfalls of Job Evaluation

A job evaluation process precludes job analysis, which in turn results in job descriptions. Job descriptions, as stated in Chapter 5, make the incumbents focus only on the tasks allotted to them. It means that a computer would lie idle if the data entry operator who works on it remains absent on a day, even if five other employees of the department are present and available. The other criticisms against job evaluation are:

1. It encourages employees to focus on 'how to advance in position' in the organisation at a time when there may be only limited opportunities for enhancement as a result of downsizing.
2. It promotes an internal focus instead of a customer-oriented focus.
3. It is not suitable for a forward-looking organisation that has trimmed multiple job titles into two or three broad jobs.
4. Elaborate exercises of wage and salary fixation through job evaluation can be dispensed with. Salaries can easily be fixed by adopting going rates, which can easily be ascertained through wage surveys.

ALTERNATIVE TO JOB EVALUATION

In today's environment, firms need to encourage employees to think differently about their jobs and to get their work done in innovative ways. Employees need to be encouraged to make independent decisions and execute them instead of waiting for instructions from supervisors. 'How well an employee makes decisions' should form the basis for job evaluation.

The Decision Bank Method (DBM) propounded by Thomas T. Paterson in the 1970s and further refined and developed by Ernst and Young precisely does this. The basic premise of the DBM is that the value of a job depends on its decision-making requirements. Decision making is a logical and equitable basis for comparing jobs, as all jobs require the incumbents to make decisions to perform their jobs whether they are line or staff, supervisory or non-supervisory, union or non-union.

The DBM differs from the traditional evaluation systems as it focuses on decision-making scope as the primary criterion for determining the relative worth of jobs.

SUMMARY

Performance appraisal refers to the assessment of an employee's actual performance, behaviour on jobs, and his or her potential for future performance. Appraisal has several objectives but the main purposes are to assess training needs, to effect promotions, and to give pay increases.

Appraisal of performance proceeds in a set pattern. The steps involved are—defining appraisal objectives, establishing job expectations, designing the appraisal programme, conducting performance interview, and using appraisal data for different HR activities.

Edward Deming disfavoured performance appraisal. Instead, he stressed on effective leadership for organisational effectiveness.

Job evaluation refers to the process of determining the relative worth of each job for the purpose of establishing satisfactory wage and salary differentials. Here, *jobs* are rated but not *job holders*.

As in performance appraisal, job evaluation follows sequential steps, the steps being—defining objectives of job evaluation; conducting job analysis which helps frame job description; job specification; finalising job evaluation programme; conducting wage survey; and classifying employees.

KEY TERMS

Assessment centres
Behaviourally anchored rating scales (BARS)
Critical incidents
Decision band method
Field review
Job evaluation
Job expectations
MBO
Performance appraisal
Raters
Rater's errors
Self-appraisal
Wage survey
360-degree appraisal technique

REVIEW QUESTIONS

1. What is performance appraisal? What are its objectives?
2. Outline the appraisal process.
3. Bring out the methods of appraisal.
4. What are the common rater's problems? How can they be overcome?
5. How do the results of performance appraisal affect other HR activities?
6. Define the term job evaluation? Explain the process of job evaluation.
7. Outline the methods of job evaluation.
8. Describe the use of job evaluation in practice. Why is there such a difference between theory and practice?

DISCUSSION QUESTIONS

1. If you were to audit an existing performance-appraisal system, what criteria would you use to judge its effectiveness?
2. Why has performance appraisal taken on increased significance in recent years?
3. Many managers describe performance appraisal as the responsibility which they like the least. Why is this so? What could be done to improve the perception?
4. What steps would you take if your performance-appraisal system has a desperate and adverse impact?
5. Why is job evaluation confined to large organisations and, that too, to hourly-rated jobs in such organisations?
6. Evaluate the 360-degree feedback as a technique of appraisal.
7. Refer to the opening case. Answer the following questions.
   (a) Why did the honey produced by the first bee keeper reduce when performance was reviewed at the end of the season? Provide examples (other than the ones used in the case) from the organizational context.
   (b) Why did the honey produced by the second bee keeper increase significantly when performance was reviewed at the end of the season? Provide examples (other than the ones used in the case) from the organizational context.
8. Do you think that appraisals will convert employees into better employees?

Closing Case—1

Mechanist's Indisciplined Behaviour

Dinesh, a machine operator, worked as a mechanist for Ganesh, the supervisor. Ganesh told Dinesh to pick up some trash that had fallen from Dinesh's work area, and Dinesh replied, "I won't do the janitor's work".

Ganesh replied, "when you drop it, you pick it up". Dinesh became angry and abusive, calling Ganesh a number of names in a loud voice and refusing to pick up the trash. All employees in the department heard Dinesh's comments.

Ganesh had been trying for two weeks to get his employees to pick up trash in order to have cleaner workplace and prevent accidents. He talked to all employees in a weekly departmental meeting and to each employee individually at least once. He stated that he was following the instructions of the general manager. The only objection came from Dinesh.

Dinesh has been with the company for five years, and in this department for six months. Ganesh had spoken to him twice about excessive alcoholism, but otherwise his record was good. He was known to have quick temper.

This outburst by Dinesh hurt Ganesh badly. Ganesh told Dinesh to come to the office and suspended him for one day for insubordination and abusive language to a supervisor. The decision was within company policy, and similar behaviours had been punished in other departments.

After Dinesh left Ganesh's office, Ganesh phoned the HR manager, reported what he had done, and said that he was sending a copy of the suspension order for Dinesh's file.

Questions

1. How would you rate Dinesh's behaviour? What method of appraisal would you use? Why?
2. Do you assess any training needs of employees? If yes, what inputs should be embodied in the training programme?

Closing Case—2

Farmington, Connecticut-based Otis Elevator is the world's largest manufacturer, installer, and servicer of elevators, escalators, moving walk-ways, and other vertical and horizontal passenger transportation systems. Otis products are offered in more than 200 countries worldwide, and the company employs more than 63,000 people. Among its many installations are the Eiffel Tower, Sudney Opera House, Vatican, CN Tower (Toronto), and Hong Kong Convention Centre.

For years, the company had an ineffective performance management system that was excessively time consuming and inspired little confidence among employees or managers. In revamping its performance management, Otis moved toward a system that provided performance feedback based on critical strategic competencies related to the company's new focus on project teams. For this realignment into project teams to be successful, managers were required to demonstrate specific competencies in both team leadership and project management, as well as remain accountable for the financial and operating results of projects.

Realising that critical feedback in these areas could not come exclusively from immediate supervisors, Otis had a custom-designed 360 degree feedback system developed that provided managers with feedback from those most directly affected by their performance; their subordinates, peers and customers. The system provides ratings on several critical core competencies and is administered entirely online via the company Internet. The online system is easy to use, employs encryption

technology to secure all data, and allows a performance review to be completed in 20 minutes. The system allows Otis to provide performance feedback in tandem with the organisation's strategic objectives; is far more efficient than the previous paper driven system; and perhaps, most importantly, has restored employee faith in the company's performance feedback system.[55]

Questions

1. How can 360 degree feedback mechanism help Otis revamp its performance management system?
2. What critical inputs need to be considered while evaluating by customers, peers and bosses?

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CHAPTER 11

Managing Basic Remuneration

LEARNING OBJECTIVES

After reading this chapter you should have a good understanding of:

- The different components of employee remuneration
- The theories on remuneration which are useful to appreciate the relative role of all components of remuneration
- The various factors that influence employee remuneration
- The wage policy of the Government of India
- The different concepts of wages
- Compensation of special groups

Opening Case

Compensation Boost

Everyone likes to be paid. Whatever else it does, money still can be turned into items most people want. Of course, the psychological dimensions of the compensation a person receives are important too.

Compensation is frequently directly tied to the labour market. When certain workers are in short supply, offering higher compensation may increase the number of persons hired. When the economy is slower, more people are happy to have a pay cheque.

At the peak of the last hiring boom "pay envy" presented a significant problem. Stock options, performance pay and signing bonuses created ambiguities in pay systems and caused problems. Current employees hired without receiving signing bonuses like those given to new employees were envious. Employees with master's degrees making less than new IT hires with no degrees were envious. Some managers who made less than the new hires they supervised were envious too. Employees doing the same job may have had salary differences of $20,000 or more. New hires were paid top dollar just for agreeing to come to work, while current employees had their experience and loyalty rewarded by getting more work instead of more money.

In one survey, more than 50 per cent workers indicated that they believed they were paid too little, while only 23 per cent expressed satisfaction with their pay. One factor driving the confusion was that wages went up rapidly for those in high demand, but not everyone was in high demand. Also, paying people based on their individual performance often created "winners" and "losers".

All this attention to compensation meant that even people who did not worry much about the topic before are tuning into it now. Employers often had no choice but to turn to new and different compensation approaches in order to compete for employees. Many HR professionals and managers now admit these approaches have caused problems. Pay envy dampens morale and team-work, causes turnover and creates a "caste system" in the company. One former Apple Vice President recounts how a new hire came in at $115,000 plus a $30,000 hiring bonus right out of college, but star performers in the company made about $80,000 at the time. "If you bring in someone at a big salary and they turn out not to be a good hire it can be catastrophic," he notes. This example illustrates that life is never fair in a tight labour market, especially when compensation is skewed. Neither is it fair when the economy sliding down.

In years 2001–02, the catered lunches, signing bonuses, free laptops and cell phones, and other generous perks designed to entice and keep many employees during the high times went away. Some workers who liked the amenities willingly gave up such indulgences if it meant their businesses stayed alive and they continued to have pay cheques.

Many forms of creative compensation, tossed in to attract or keep employees during the "boom time", seemed frivolous in a weakened economy amid stock market uncertainties. "There is now a very clear distinction between 'nice' and 'necessary' when it comes to perks. We went a little too far," a partner with a big accounting firm noted. Less number of jobs reduced the need for signing bonuses and other recruiting perks necessary a few years ago.

All of these changes illustrate that compensation practices must change. But compensation continues to be important, visible and often a concern in HR management.[1]

The scenario is no different in India as one can see in this and the following three chapters.

Remuneration is the compensation an employee receives in return for his or her contribution to the organisation. Remuneration occupies an important place in the life of an employee. His or her standard of living, status in the society, motivation, loyalty, and productivity depend upon the remuneration he or she receives. For the employer too, employee remuneration is significant because of its contribution to the cost of production. Besides, many battles (in the form of strikes and lockouts) are fought between the employer and the employees on issues relating to wages or bonus. For HRM too, employee remuneration is a major function. The HR specialist has a difficult task of fixing wages and wage differentials acceptable to employees and their leaders. Since employee remuneration is such an important subject, considerable space is devoted in books and periodicals for detailed discussion of wage-related and salary-related problems. This book is no exception.

COMPONENTS OF REMUNERATION

An average employee in the organised sector is entitled to several benefits—both financial as well as non-financial. To be specific, typical remuneration of an employee comprises—wages and salary, incentives, fringe benefits, perquisites, and non-monetary benefits.

Wages and Salary

Wages represent hourly rates of pay, and salary refers to the monthly rate of pay, irrespective of the number of hours put in by an employee. Wages and salaries are subject to annual increments. They differ from employee to employee, and depend upon the nature of job, seniority, and merit.

Incentives

Also called 'payments by results', incentives are paid in addition to wages and salaries. Incentives depend upon productivity, sales, profit, or cost reduction efforts.

There are: *(i)* individual incentive schemes, and *(ii)* group incentive programmes. Individual incentives are applicable to specific employee performance. Where a given task demands group effort for completion, incentives are paid to the group as a whole. The amount is later divided among group members on an equitable basis.

Fringe Benefits

These include such employee benefits as provident fund, gratuity, medical care, hospitalisation, accident relief, health and group insurance, canteen, uniform, recreation and the like.

Perquisites

These are allowed to executives and include company car, club membership, paid holidays, furnished house, stock option schemes and the like. Perquisites are offered to retain competent executives.

Non-monetary Benefits

These include challenging job responsibilities, recognition of merit, growth prospects, competent supervision, comfortable working conditions, job sharing, and flexitime.

Figure 11.1 illustrates the various components of employee remuneration. As Chapters 11, 12, 13 and 14 reveal, only financial benefits are covered in this section. Non-financial elements of remuneration will be covered at appropriate places in this book.

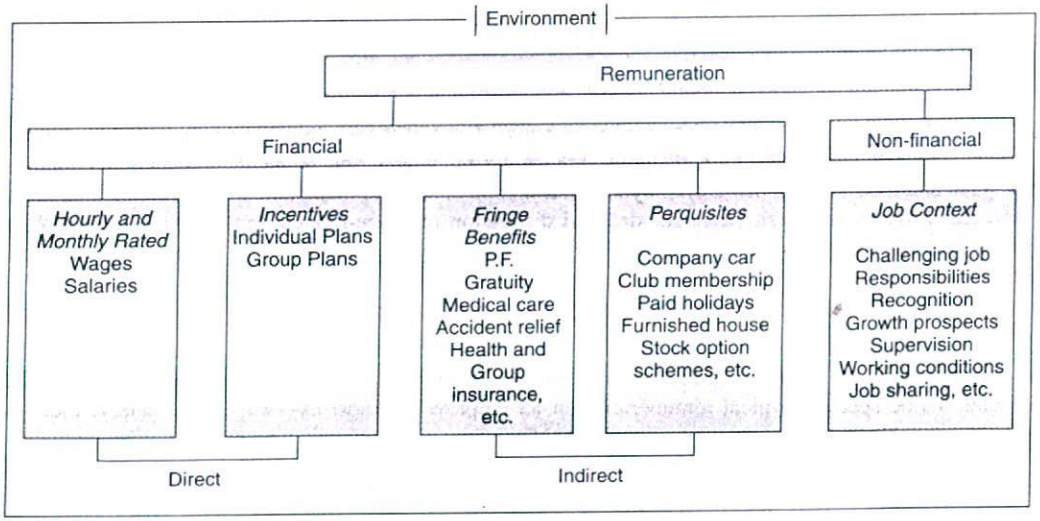


Fig. 11.1 Components of Employee Remuneration

THEORIES OF REMUNERATION

In order to understand which components of remuneration are more effective, we need to understand the conceptual framework or theories of employee remuneration. Three such theories are—reinforcement and expectancy theories, equity theory and agency theory.

Reinforcement and Expectancy Theories

The reinforcement theory postulates that a behaviour which has a rewarding experience is likely to be repeated (read Chapter 15 for more details on reinforcement, expectancy and equity theories). The implication for remuneration is that high employee performance followed by a monetary reward will make future employee performance more likely. By the same token, a high performance not followed by a reward will make its recurrence unlikely in future. The theory emphasises the importance of a person actually experiencing the reward.

Like the reinforcement theory, Vroom's expectancy theory focuses on the link between rewards and behaviour. Motivation, according to the theory, is the product of valence, instrumentality and expectancy. Remunerating systems differ according to their impact on these motivational components. Generally speaking, pay systems differ most in their impact on instrumentality—the perceived link between behaviour and pay. Valence of pay outcomes remains the same under different pay systems. Expectancy perceptions often have more to do with job design and training than pay systems.

Equity Theory

Adam's equity theory posits that an employee who perceives inequity in his or her rewards seeks to restore equity. The theory emphasises equity in pay structure of employees remuneration.

Employees' perceptions of how they are being treated by their firm is of prime importance to them. The dictum 'a fair day work for fair day pay' denotes a sense of equity felt by employees. When employees perceive inequity, it can result in lower productivity, higher absenteeism or increase in turnover.

The remuneration system needs to meet three types of equity: internal, external and individual. These perceptions of equity directly impact motivation, commitment and performance on the job as illustrated in Fig. 11.2. It may be kept in mind that the assessment of equity is based on employee's perception and the employee understanding may be based on incomplete or inaccurate information.

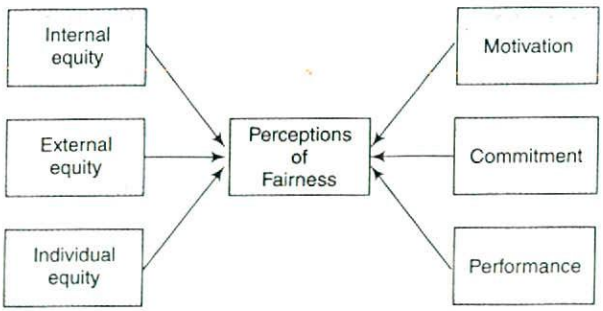


Fig.11.2 Dimensions of Equity

Source: Jeffery A. Mello, *Strategic Human Resource Management*, p. 330.

Internal Equity involves the perceived fairness of pay differentials among different jobs within an organisation. Employees should feel that the pay differentials among jobs are fair, given the corresponding differences in job responsibilities.

External Equity involves employees perception of the fairness of their remuneration relative to those outside the organisation. What competitors pay to similar jobs will have its impact on employee motivation, commitment and performance.

Individual Equity considers employee perception of pay differentials among individuals who hold identical jobs in the same organisation.[1a] Seniority contributes to differences in remuneration received by two individuals in the same cadre. A professor in a university with more number of years of service behind him or her tends to receive higher salary than his or her junior who has become professor just now.

Agency Theory

The agency theory focuses on the divergent interests and goals of the organisation's stakeholders and the way that employee remuneration can be used to align these interests and goals. Employers and employees are the two stakeholders of a business unit, the former assuming the role of principals and the latter the role of agents. The remuneration payable to employees is the agency cost. It is natural that the employees expect high agency costs while the employers seek to minimise it. The agency theory says that the principal must choose a contracting scheme that helps align the interest of the agents with the principal's own interests. These contracts can be classified as either behaviour-oriented (e.g. merit pay) or outcome-oriented (e.g. stock option schemes, profit sharing, and commissions).

Employers and employees are the two main stakeholders in an organisation. Employers assume the role of principals and employees play the role of agents. Wages paid to the employees are considered as agency cost.

At the first sight, outcome-oriented contracts seem to be the obvious solution. As profits go up, rewards also increase. Remuneration falls when profits go down.

IMPORTANCE OF AN IDEAL REMUNERATION SYSTEM

Before discussing other details of remuneration, it is useful to bring out the importance of an ideal remuneration system.

An effective system of remuneration is highly significant because several problems relating to personnel centre around one element, namely, remuneration. Many employees, for example, absent themselves from work often because they feel they are not paid enough. They look for new and better prospects because the present emoluments may not be attractive enough to stay on. They agitate, pelt stones, use foul language, resort to graffiti, turn violent, fall sick, because the remuneration paid to them may not be adequate (*see* Fig. 11.3).

Talks on job satisfaction, loyalty, organisation before self, altruism, and the like, may be all right for boardroom discussions, and for delivering lectures in classrooms. The talk may also be relevant in a country like Japan, where people are inspired by a fanatical devotion to work. But in our country, an average worker cares only for money. Such being the reality, remuneration must fulfil the expectations and aspirations of employees and exploit their energies for the benefit of organisations.

? Pause and Ponder

Do you think people work mainly for pay? Ascertain views of your classmates. Presentations and discussions can follow in the class.

Attractive remuneration enables an organisation to attract, retain and motivate competent people. Fresh MBAs and brilliant engineers flock around WIPRO, Infosys, Hindustan Unilever, Citibank, Motorola, ANZ Grindlays and Reliance because of their attractive remuneration packages.

Retaining competent individuals for long is more difficult than attracting fresh ones. An employee's longevity of service in a particular organisation depends more on non-financial benefits, but the role of financial benefits cannot be ruled out, particularly at the lower levels of hierarchy. Loyalty towards an

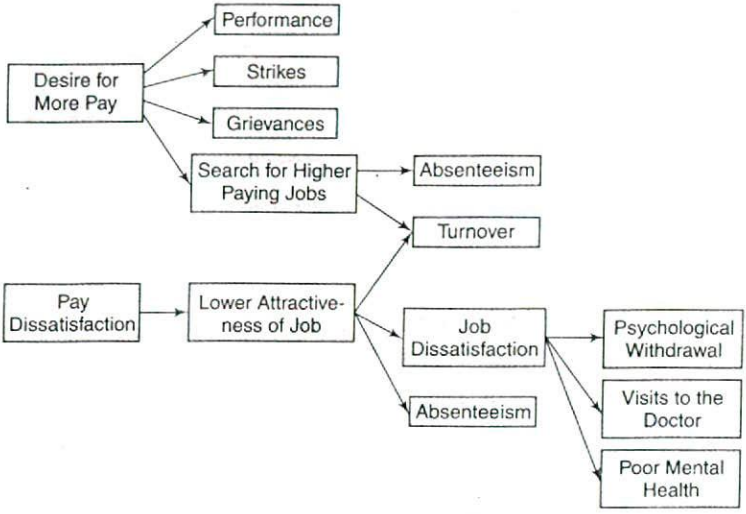


Fig. 11.3 Consequences of Pay Dissatisfaction

Source: William B. Werther and Keith Davis, *Human Resources and Personnel Management*, p. 412.

organisation also depends on his or her perceptions about remuneration. It is common knowledge that an employee feels satisfied or dissatisfied with his or her remuneration—not so much by the total amount he or she receives, but by comparing his or her benefits with those enjoyed by others. Comparison provides a feeling of equity or inequity. There is a sense of equity when the employee's remuneration is equal or more than the remuneration received by others in the same category of jobs. If the remuneration is lower, the employee feels he or she is inequitably treated. An employee sticks to an organisation when he or she is paid equitably. The organisation's pay structure must, therefore, be equitable and consistent.

Employees get motivated to perform better when their past performance is rewarded adequately (*see* Fig. 11.4). Employees set expectations about rewards and compensation to be received, if certain levels of performance are achieved. These expectations determine goals or levels of performance for the future. Employees achieving the desired level of performance expect a certain level of compensation. At some point, the management evaluates and rewards the employee's performance. Examples of such rewards include merit-pay increases, promotions, and non-financial rewards such as recognition and increased status. Employees consider the relationship between their performance and rewards related to that performance, and then the fairness of the relationship. The final step in the process will have the employee setting new goals and expectations, based on past experiences within the organisation.[2]

If employees see that hardwork and superior performance are recognised and rewarded by the organisation, they will expect such relationships to continue in the future. Therefore, they will set higher levels of performance for themselves, expecting higher levels of rewards. Of course, if employees see little relationship between performance and rewards, then they may set minimum goals in order to retain their jobs, but will not see the need to excel in their positions.[3]

Remuneration is the only HR activity which has its impact on all other functions regarding personnel. Take job evaluation, for example. It is job evaluation which establishes satisfactory wage and salary differentials. As was stated above, competent people are attracted towards an organisation if its remuneration is attractive. Recruitment and selection are dependent upon wages and salaries offered to prospective

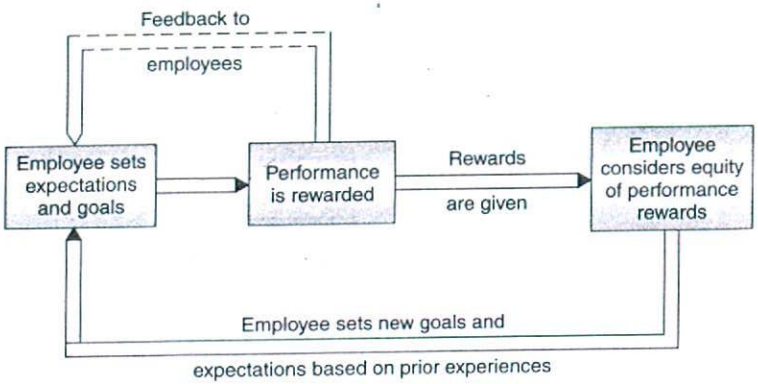


Fig. 11.4 Motivation and Performance Model

Source: Michael R. Carrell, *et al.*, *Personnel/Human Resource Management*, p. 391.

employees. There is a close relationship between performance appraisal and remuneration. This is particularly true in cases where 'payment by results' schemes exist. Incentive payments depend on the employee performance which needs to be carefully assessed. It needs no particular emphasis that union-management relations largely depend upon employee remuneration. Industrial conflicts between employees and employers take place on remuneration-related issues (*see* Table 11.1). There are other benefits of an effective remuneration system. Such a system, for example, helps the organisation obtain and retain employees at a reasonable cost. In the absence of a rational payment system, employees are likely to be overpaid or underpaid. There are a number of labour acts which need to be complied with by an organisation. Non-compliance of any provision makes the organisation guilty and punishable. A properly designed wage and salary system helps the company avoid such possibilities.

Table 11.1 Percentage of Remuneration Related Issues to Total Disputes

Year	*Disputes Relating to Wages, Allowances and Bonus*	*Total Disputes*	*Percentage of Remuneration Related Issues to Total Disputes*
1985	506	1755	28.83
1986	633	1892	33.45
1987	619	1799	34.40
1988	590	1745	33.81
1989	533	1786	29.84
1990	514	1825	28.16

Source: Labour Bureau, Indian Labour Year Books.

Finally, the primary goal of a wage policy in any country should be the promotion of economic development. If economic development has been meagre and all-round development is stunted, one of the reasons might well be the failure of the wage policy to contribute adequately to the process of economic development.

FACTORS INFLUENCING EMPLOYEE REMUNERATION

A number of factors influence the remuneration payable to employees. They can be categorised into *(i)* external and *(ii)* internal factors (*see* Fig. 11.5).

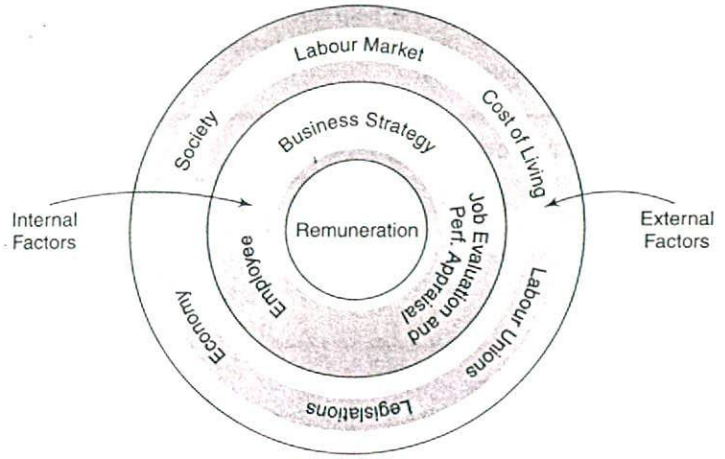


Fig. 11.5 Influencing Factors of Remuneration

External Factors

Factors external to an organisation are labour market, cost of living, labour unions, government legislations, the society, and the economy.

Labour Market *Demand* for and *supply* of labour influence wage and salary fixation. A low wage may be fixed when the supply of labour exceeds the demand for it. A higher wage will have to be paid when the demand exceeds supply, as in the case of skilled labour. A paradoxical situation is prevailing in our country—excessive unemployment is being juxtaposed with shortage of labour. While unskilled labour is available in plenty, there is a shortage of technicians, computer specialists and professional managers. High remuneration to skilled labour is necessary to attract and retain it. But exploitation of unskilled labour, like, for instance, paying niggardly wages because it is available in plenty, is unjustifiable. The Minimum Wages Act, 1948, is precisely meant to prevent this kind of exploitation.[4]

Going rate of pay is another labour-related factor influencing employee remuneration. Going rates are those that are paid by different units of an industry in a locality and by comparable units of the same industry located elsewhere. This is the only way of fixing salary and wage in the initial stages of plant operations. Subsequently, a comparison of going rates would be highly useful in resolving wage-related disputes.

The **going rate system** involves fixing wage/salary rates in tune with what is paid by different units of an industry in a locality. Going rates are generally paid in the initial stages of plant operations.

Productivity of labour also influences wage fixation. Productivity can arise due to increased effort of the worker, or as a result of the factors beyond the control of the worker such as improved technology, sophisticated machines and equipment, better management, and the like. Greater effort of the worker is rewarded through piece-rate or other forms of incentive payments. This form of productivity, due to individual effort, cannot form a criterion of general wage movements.

Productivity arising from advanced technology and more-efficient methods of production will influence wage fixation. While productivity can be measured in terms of any one of the several factors such as capital equipment, materials, fuel and labour, what matters most is labour productivity. It is the relationship between the input of labour measured in man-hours and the output of the entire economy, or of a particular industry or plant measured in terms of money or in physical terms. It may be stated that productivity has only subordinate role in wage fixation.[5] It can, at best, help determine fair wages.

Productivity linked wages may help utilise human resources better. This is particularly relevant to our country where productivity is low (*see* Table 11.2).

Table 11.2 **World Labour Productivity**

Japan	28,644
Hong Kong	17,342
Singapore	16,762
China	10,058
Korea	7,976
Philippines	1,872
Indonesia	1,588
Pakistan	1,436
India	865
(Figures are calculated in 1980 US$)	

Source: *Financial Express*, Oct. 18, 1994.

However, the argument that productivity would increase if it is linked to remuneration is hardly acceptable to labour and labour organisations.

Cost of Living Next in importance to labour market is the cost of living. This criterion matters during periods of rising prices, and is forgotten when prices are stable or falling. The justification for cost of living as a criterion for wage fixation is that the real wages of workers should not be allowed to be whittled down by price increases. A rise in the cost of living is sought to be compensated by payment of dearness allowance, basic pay to remain undisturbed. Many companies include an escalatory clause in their wage agreements in terms of which dearness allowance increases or decreases depending upon the movement of consumer price index (CPI).

Labour Unions The presence or absence of labour organisations often determine the quantum of wages paid to employees. Employers in non-unionised factories enjoy the freedom to fix wages and salaries as they please. Because of large-scale unemployment, these employers hire workers at little or even less than legal minimum wages. An individual non-unionised company may be willing to pay more to its employees if only to discourage them from forming one, but will buckle under the combined pressure from the other non-unionised organisations. The employees of strongly unionised companies too, have no freedom in wage and, salary fixation. They are forced to yield to the pressure of labour representatives in determining and revising pay scales.

Labour Laws We have a plethora of labour laws at the central as well as at the state levels. Some of the central laws which have a bearing on employee remuneration are the Payment of Wages Act, 1936; the

Minimum Wages Act, 1948; the Payment of Bonus Act, 1965; Equal Remuneration Act, 1976; and the Payment of Gratuity Act, 1972. The Payment of Wages Act was passed to regulate payment of wages to certain classes of persons employed in the industry. It also seeks to protect workers against irregularities in payment of wages and unauthorised deductions by the employers. In addition, the Act ensures payment of wages in a particular form and at regular intervals. The Minimum Wages Act enables the central and the state governments to fix minimum rates of wages payable to employees in sweated industries. The Payment of Bonus Act provides for payment of a specified rate of bonus to employees in certain establishments. The Gratuity Act provides for payment of gratuity to employees after they attain superannuation. The Equal Remuneration Act provides for payment of equal remuneration to men and women workers for same or similar work. The Act stipulated stringent punishments for contravention of its provisions.

In addition to legal enactments, there are wage boards, tribunals and fair wages committees which aim at providing a decent standard of living to workers. In fact, ours is the only democratic country in the world which has attempted wage regulation on so large a scale through state-sponsored agencies.

With regard to managerial remuneration, there is the Companies Act, 1956, which puts a cap on salary and perquisites of managers. Sections 198 and 309 of the Act contain provisions relating to managerial remuneration. As per the new guidelines issued on July 14, 1993, the remuneration payable to managerial personnel comprises:

1. Salary of Rs 6,00,000 per annum or Rs 50,000 per month including dearness and all other allowances.
2. Perquisites which shall be restricted to an amount equal to the annual salary or Rs 4,50,000 per annum, whichever is less.
3. Commission in addition to salary or perquisites or both. The amount of commission based on the net profits of the company in a particular year shall be subject to the overall ceilings as laid down in Sections 198 and 309.

Society Remuneration paid to employees is reflected in the prices fixed by an organisation for its goods and services. For this reason, the consuming public is interested in remuneration decisions.

Remuneration paid to employees has social implications too. The Supreme Court has been keeping social and ethical considerations in adjudicating wage and salary disputes.

The Supreme Court, from its very inception, has had to adjudicate industrial disputes—particularly disputes relating to wages and allied problems of financial concern to the worker—an ethical and social outlook liberally interpreting the spirit of the Constitution. In Standard Vacuum Refixing vs Its Workmen (1961), the apex court observed:

> *"It is well-known that the problem of wage structure with which industrial adjudication is concerned in a modern democratic state involves, in the ultimate analysis, to some extent ethical and social considerations. The advent of the doctrine of a welfare state is based on notions of progressive social philosophy which has rendered the old doctrine of Laissez Faire obsolete."*[6]

Though the financial position of the employer and the state of the national economy have their say in the matter of wage fixation,

> *"the requirements of a workman living in a civilised and progressive society also came to be recognised. Hence, according to the Supreme Court, the social philosophy of the period provides the background for decisions on industrial disputes relating to the wage structure.*[5]

The Economy The last external factor that has its impact on wage and salary fixation is the state of the economy. While it is possible for some organisations to thrive in a recession, there is no question that the

economy affects remuneration decisions. For example, a depressed economy will probably increase the labour supply. This, in turn, should serve to lower the going wage rate.

In most cases, the cost of living will rise in an expanding economy. Since the cost of living is commonly used as a pay standard, the economy's health exerts a major impact upon pay decisions. Labour unions, the government, and the society are all less likely to press for pay increases in a depressed economy.[7]

Internal Factors

Among the internal factors which have an impact on pay structure are the company's strategy, job evaluation, performance appraisal, and the worker himself or herself.

Business Strategy The overall strategy which a company pursues should determine the remuneration to its employees. Where the strategy of the enterprise is to achieve rapid growth, remuneration should be higher than what competitors pay. Where the strategy is to maintain and protect current earnings, because of the declining fortunes of the company, remuneration level needs to be average or even below average. For more on this see the next section of this chapter.

Job Evaluation and Performance Appraisal Job evaluation helps establish satisfactory wage differentials among jobs. Performance appraisal helps award pay increases to employees who show improved performance (both job evaluation as well as performance appraisal were discussed in Chapter 10).

? Pause and Ponder

How far luck does influence pay? Have you come across any individual who has been lucky enough to be paid more than he or she deserves?

The Employee Several employee-related factors interact to determine his or her remuneration. These include performance, seniority, experience, potential, and even sheer luck.

Performance is always rewarded with a pay increase. Rewarding performance motivates the employee to do better. Managements prefer performance to effect pay increases but unions view *seniority* as the most objective criterion for pay *increases. Experience* makes an employee gain valuable insights and should therefore be rewarded. *Potential* is useless if it is never realised. Yet, organisations do pay some individuals based on their potential. Young managers are paid more because of their potential to perform even if they are short of experience. Some people have *luck* to be at the right place at the right time.

REMUNERATION PLANS AND BUSINESS STRATEGY

Remuneration plans, like any other HR activity, must become an input to formulating a business strategy. But in most companies, this integration rarely occurs. The general practice is to pay what competitors pay or to adhere to the "corporate policy". The actual remuneration plan should not be strictly a matter of what is being paid in the market place. Instead, wage and salary plans must derive from an assessment of what *must be paid* to attract and retain the right people, what the organisation *can afford,* and what will be *required* to meet the organisation's strategic goals.[8] Table 11.3 illustrates how different salary and wage strategies can be applied to firms that differ in **(i)** their business strategies, and **(ii)** their market position and maturity.

In companies that are growing rapidly, business strategy tends to be focused on investing to grow. To be consistent with this business strategy, the remuneration strategy should stimulate an enterprising and entrepreneurial style of management. For this purpose, the company should emphasise high cash payments with

above-average incentives. In 'mature' companies, its business strategy is oriented primarily towards managing earnings and protecting markets. A remuneration strategy must have a blend of average cash payments, moderate incentives and standard benefits and should aim at rewarding management skills. In an 'aging' company, the most appropriate strategy is to harness earnings and reinvest them elsewhere. Remuneration strategy should therefore aim at control of costs. To improve such a strategy, standard benefits are combined with below-average cash payments, and modest incentives are tied directly to control costs.

Remuneration strategy must jell with corporate strategy. If corporate strategy is to invest to grow, remuneration strategy should be so designed to stimulate entrepreneurship. If business strategy is just to manage earnings, remuneration strategy should reward management skills. Finally, remuneration strategy should stress on cost control, if corporate strategy is to reinvest elsewhere.

Thus, companies do the following, viewing remuneration from a strategic perspective:[9]

1. They recognise remuneration as a pivotal control and incentive mechanism that can be used flexibly by the management to attain business objectives.
2. They make the pay system an integral part of strategy formulation.
3. They integrate pay considerations into strategic decision-making processes, such as those that involve planning and control.
4. They view the company's performance as the ultimate criterion of the success of the strategic pay decisions and operational remuneration programmes.

Table 11.3 **Linkage of Remuneration Strategy to Business Strategy**

Business Strategy	*Market Position and Maturity*	*Remuneration Strategy*	*Blend of Remuneration*
Invest to grow	Merging or growth rapidly	Stimulate entrepreneurialism	High cash with above average incentive for individual performance. Modest benefits.
Manage earnings—protect markets	Normal growth to maturity	Reward management skills	Average cash with moderate incentives on individual, unit, or corporate performance. Standard benefits.
Harvest earnings—reinvest elsewhere	No real growth or decline	Stress on cost control	Below-average cash with small incentive tied to cost control. Standard benefits.

Source: Wayne F. Cascio, *Managing Human Resources*, McGraw-Hill, 1995, p. 352.

DEVISING A REMUNERATION PLAN

Any remuneration plan must be understandable, workable and acceptable. The remuneration scheme must have two components—a base rate and the scope for increasing the base rate. The remuneration plan must be determined keeping in mind the requisites and the components.

The persons responsible for determining a remuneration plan are advised to employ sequential steps (*see* Fig. 11.6) described as follows.

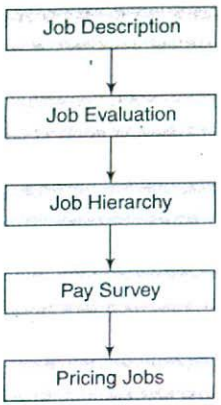


Fig. 11.6 Remuneration Model

Job Descriptions Job descriptions are crucial in designing pay systems, for, they help to identify important job characteristics. They also help determine, define and weigh *compensable factors* (factors for which an organisation is willing to pay—skill, experience, effort and working environment).

Job Evaluation The next step in pay fixation is to establish relative worth of jobs by employing job evaluation. As explained in Chapter 10, a number of techniques are available to evaluate jobs. For example, in the point-ranking method of job evaluation, each job is analysed and defined in terms of the compensable factors an organisation has agreed to adopt. Points are assigned to each degree of a compensable factor, such as responsibility.

Job Hierarchy The points assigned to all compensable factors are aggregated. The total points scored will help establish the hierarchy of job worth, starting from the highest point total to the lowest point total.

Pay Surveys Job hierarchy being established, the next step is to establish pay differentials. Before fixing wage and salary differentials, prevailing wage and salary rates in the labour market need to be ascertained. Hence the relevance of pay surveys.

One way of collecting pay details is to conduct a survey. This requires that a sample of key jobs and a sample of companies need to be selected. Questionnaires could be mailed to select companies, requesting them to furnish pay details relating to key jobs. Information can also be collected over the telephone.

There are also other sources of collecting pay details. Labour departments of the government, trade unions, and professional bodies, and consulting firms (*see* Exhibit 11.1) provide copious amount of information about the prevailing wage and salary rates.

Exhibit 11.1 ***India Compensation Report 1998***

Watson Wyatt (India) is a reputed consulting firm having its office in Mumbai. The firm conducts market studies regularly and brings out comprehensive reports on the findings. The series titled "India Compensation Report" is brought out annually and aims to provide a detailed information on compensation across a wide spectrum of Indian industry.

Watson Wyatt's India Compensation Report, 1998 is based on the study of remuneration practices in 58 leading Indian and multinational companies operating in the country. The report provides a detailed analysis of the benefits as well as cash compensation data for 49 key jobs, primarily managerial in nature.

For all the compensation reports produced by the firm, there is a strict policy of ensuring confidentiality of the participant data.

One of the findings of the India Compensation Report, 1998 is presented in the following table:

Salary Increase

Industry Type	*1997*	*1998*
Consumer Products	20.4	17.4
Pharma	18.3	16.5
Banks	13.0	12.5
High Tech.	25.0	17.5
Lubricants	18.3	NA
Power	20.0	20.0
Others	22.7	18.4
Overall	19.2	17.2

As the table reveals, there is a 2 per cent lowering of increase in salaries during 1998 as compared to that during 1997. The worst hit are high-technology intensive industries which have a salary increase of 17.5 per cent in 1998 as compared to 25 per cent in 1997.

Business magazines also carry data on salaries prevailing in different industries. *Business Today*, dated September 12, 2004, for example, carried a story on salary raises from 2003 to 2004 in different industries, as shown in Table 11.4. The magazine reported that in high-growth and high-attrition industries such as IT, IT enabled services, telecom, and banking and financial services have registered highest increase in salaries. An increase in salaries translates into a corresponding increase in discretionary spending.

Table 11.4 Raising Salaries

	(Increase in per cent)	
	2003	*2004*
IT	15	17
ITES	23	25
Telecom (Services)	10	12
Insurance	23	25
Banking (Retail)	12	15
Manufacturing	6	7
Pharma	20	22

Source: Business Today, September 12, 2004, p. 46.

Job evaluation helps establish job hierarchy. Through surveys, the rate for key jobs in the labour market is also known. The next logical step is to determine pay structures.

Pricing Jobs In pricing jobs, the job evaluation worth is matched with the labour-market worth. Two activities need to be performed: **(i)** establishing the appropriate pay level for each job, and **(ii)** grouping the different pay levels into pay grades.

Pay Levels In order to set a pay level, the points assigned and the survey wage rates are combined through the use of a graph called *scattergram.* As Fig. 11.7 shows, the vertical axis represents pay rates. The horizontal axis is used for points. The total points and the wage rates for each key job are plotted to obtain the scattergram. Thus, each dot in Fig. 11.7 represents the intersection of the point value and the market-determined wage rate for a particular key job. For example, key job A in the figure is worth 500 points and is paid Rs 60 per hour. Similarly, key job B earns 700 points and has a prevailing rate of Rs 70 per hour.

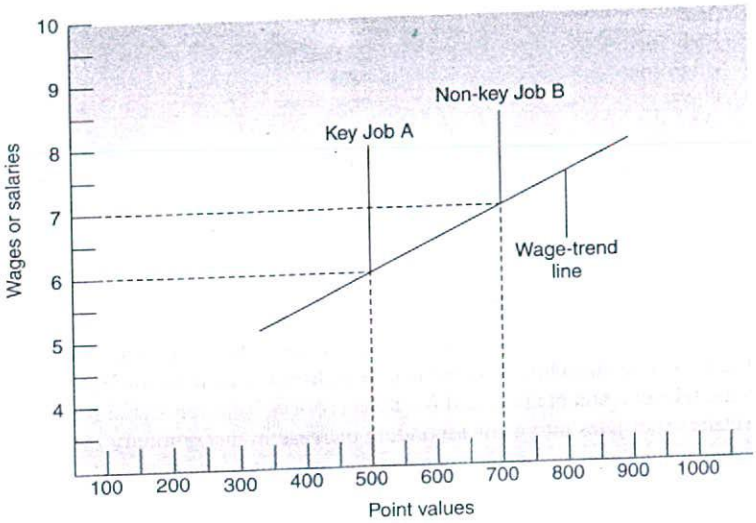


Fig. 11.7 The Development of a Wage-trend Line

Source: William Werther and Keith Davis, *Human Resources and Personnel Management*, p. 393.

The dots that represent key jobs can be used to draw a wage-trend line as, close to as many points as possible, employing a statistical technique called *least squares method of regression.*[10] This method relates point values to wage rates in the labour market. If the employer wants to lead or lag behind the market rate by a given percentage, the wage-trend line can be moved up or down by the same percentage.

Determining Pay Grades A pay grade comprises jobs of approximately equal difficulty or importance. Where point-ranking method of job evaluation is used, the grade consists of jobs falling within a range of points. It is convenient to organise jobs into groups, also called *job classes,* so that there are limited number of wage rates. Where individual jobs are retained, an organisation will have hundreds of remuneration rates. The existence of hundreds of separate wage rates would be meaningless as differences between jobs might be just a few rupees.

Where grouping of jobs is done, the wage-curve line is to be replaced with a series of ascending dashes, as shown in Fig. 11.8. Thus, all jobs in the same class will receive the same wage rate. A job valued at 105 points, for example, receives the same pay as a job with 145 points (Exhibit 11.2 gives more details about pay grades).

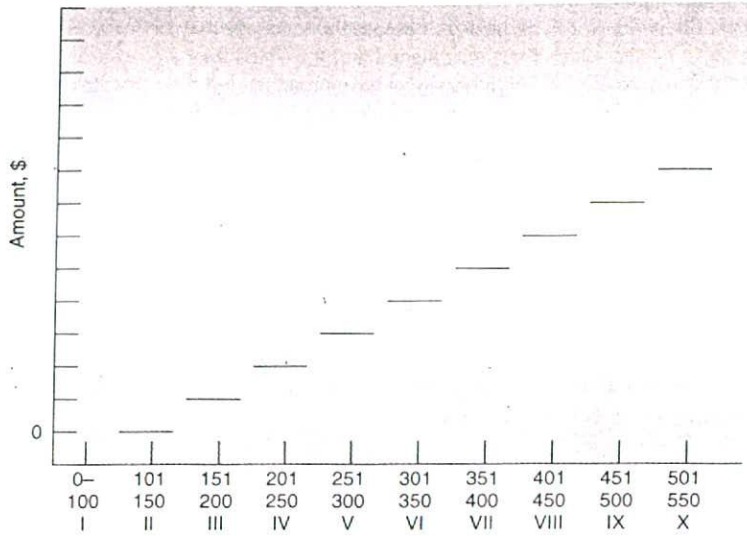


Fig. 11.8 The Impact of Job Classes on the Wage-trend Line

Source: William Werther and Keith Davis, *Human Resources and Personnel Management*, p. 394.

Exhibit 11.2 *Broadbanding*

The trend for employers today is to reduce their salary grades and ranges from ten or more down to three to five, a process called broadbanding. Broadbanding means collapsing salary grades and ranges into just a few wide levels or "bands", each of which then contains a relatively wide range of jobs and salary levels. Thus, instead of having, say, ten salary grades each of which contains a salary range of, say, $ 15,000, the firm might collapse the ten grades into three broadbands, each with a set of jobs such that the difference between the lowest-paid and the highest-paid jobs might be $ 40,000 or more. One survey found that almost one-third of the 3,400 employers responding said that they had adopted a broadbanding approach or were considering doing so.

Broadbanding's basic advantage is that it injects greater flexibility into employee compensation. Broadbanding is especially sensible where firms flatten their hierarchies and organise around self-managing teams. The new, broad salary bands can include both supervisors and subordinates and can also facilitate moving employees slightly up or down along the pay scale without accompanying promotional raises or emotional pay cuts. For example, the employee who needs to spend time in a lower-level job to develop a certain skill set can receive higher-than-usual pay for the work, a circumstance considered impossible under traditional pay systems.

Broadbanding also facilitates the sorts of less-specialised, boundaryless jobs and organisations being embraced by many firms like General Electric. Less specialisation and more participation in cross-departmental processes generally mean enlarged duties or capabilities and more possibilities for alternative career tracks., broader, more inclusive salary bands facilitate this. One expert argues that traditional quantitative evaluation plans actually reward unadaptability. The argument here is that being slotted into a job that is highly routine, as defined by a compensable factor such as "know-how" is unlikely to encourage job

incumbents to think independently or be flexible. Instead, the tendency may be for workers to concentrate on the specific, routine jobs to which they are assigned and for which they are rewarded.

General Electric and Toyota are two employers who have broadbanded their pay scales. At Toyota, there are only three plant job classifications—Division I includes all production members; Division II includes all general maintenance team members: and Division III includes all tie and dye members. Similarly, General Electric, huge as it is, was able to restructure its entire pay plan into just five broad compensation bands.

Source: Gary Dessler, *Human Resource Management*, Prentice-Hall, 1998, pp. 438–439.

CHALLENGES OF REMUNERATION

People who administer wage and salary face challenges which often necessitate adjustments to a remuneration plan. The more important of the challenges are skill-based pay, salary reviews, pay secrecy, comparable worth, employee participation, elitilism or egalitarianism, below market or above market rates, and marketing versus non-marketing rewards (*see* Fig. 11.9).



Fig. 11.9 Challenges of Remuneration

Skill-based Pay The discussion on Fig. 11.6 centered around job-based pay. In the traditional job-based pay, employees are paid on the bases of job they do. In the skill-based system, workers are paid on the basis of number of jobs they are capable of doing, or on the depth of their knowledge. The purpose of this system is to motivate employees to acquire additional skills so that they become more useful to the organisation. Table 11.5 compares skill-based pay with job-based remuneration.

In the **skill-based pay system**, an employee is paid on the basis of number of jobs he or she is capable of doing, or on the depth of his or her knowledge. In the traditional system, an employee is paid on the basis of job held.

Skill-based pay systems work well when the following conditions exist:[11]

1. A supportive HRM philosophy underpins all employment activities. Such a philosophy is characterised by mutual trust and the conviction that employees have the ability and motivation to perform well.

Table 11.5 Skill-based Pay and Job-based Pay Compared

Factors	*Job-based*	*Skill-based*
Pay structure	Based on job performance	Based on ability to perform
Employer's focus	Job carries wage; Employee linked to job	Employee carries wage; Employee linked to skills
Employee focus	Job promotion to earn greater pay	Skill acquisition to earn greater pay
Procedures required	Assess job content; Value jobs	Assess skills; Value skills
Advantages	Pay based on value of work performed	Flexibility; Reduced workforce
Disadvantages	Potential personnel bureaucracy; Inflexibility.	Potential personnel bureaucracies; Cost controls.

Source: Raymond A. Stone, *Human Resource Management,* John Wiley & Sons, 1995, p. 324.

2. Other programmes such as profit sharing, participative management, empowerment, and job enrichment complement the skill-based pay system.
3. Technology and organisational structure change frequently.
4. There are opportunities to learn new skills.
5. Employee turnover is relatively high.
6. Workers value teamwork and opportunity to participate.

Pay Reviews Pay, once determined, should not remain constant. It must be reviewed and changed often, but how often becomes a relevant question. Pay reviews may be made on predetermined dates, anniversary dates or there could be flexible reviews. In the *fixed-date reviews*, wages and salaries of all employees are reviewed and raised on a specified date each year. In the *anniversary-date review*, salaries may be reviewed at twelve-month intervals from the date of the employee's anniversary date of hire. Using variable timing ensures *flexibility*. In addition, high-performing employees, who are low on their salary ranges, can be rewarded more frequently.

In organised industrial establishments, pay review take place once in three years. Managements enter into wage and salary agreements with labour unions and the agreements will be valid for three years. Pay negotiations will take place on the expiry of the three-year period and new records are signed after conclusion of the talks.

In government departments, pay revisions take place once in ten or fifteen years. Revisions will depend on the recommendations of the Pay Commission.

Pay Secrecy The process by which a remuneration plan is designed and administered is critical for any organisation. One challenge facing HRM concerns the availability of information about remuneration to employees. The tendency among most firms is to maintain pay secrecy as this would help avoid pay comparisons likely to be made by employees.

'Just how much and what types of information about pay should be provided to employees' is a question that troubles HR managers. This is a difficult question to answer. Much has been written about the effects of pay secrecy on employee behaviours and attitudes.

Firms in the organised sector and public sector enterprises disclose full information about wages and salaries. Similarly, most union contracts spell out wages and grades of pay. As stated earlier, most firms, particularly family-controlled organisations tilt towards maintaining pay secrecy.

The goals of achieving equity and employee satisfaction would seem to call for telling employees about pay policies and levels. For merit pay systems to have a motivating effect, an employee needs to know how efforts translate into rewards. Information about maximum and the average raises should be made available each year. Each employee should be told 'what the mid point is' for his or her job, as well as the pay range. In addition, the organisation should explain how it arrived at the pay structure. Allowing employees to see 'where their jobs are located in the wage structure' should not create significant problems for an employer that has a well-designed job evaluation plan.[12]

Comparable Worth One of the popular principles in employee remuneration is equal pay for equal work. Infact, this principle has been the inspiration behind the enactment of the Equal Remuneration Act. Under the Act, male and female nurses are to be paid the same if their merit and seniority match, but a female nurse and a male electrician could be paid different rates.

Beyond the concept of equal wages for equal work, is the idea of *comparable worth* which implies that if both a nurse and an electrician receive the same number of points under a point-ranking method of job evaluation, they have to be paid the same, subject, of course, to seniority and merit differences.

The principle of comparable worth implies that if both a nurse and an electrician receive the same number of points under job evaluation, they need to be paid the same remuneration.

Any bias in the job-evaluation process is sure to render comparable worth unworkable. Bias is bound to occur in job evaluations because of the tendency to assign higher number of points for jobs traditionally held by women.

Employee Participation When employees are involved in designing a remuneration plan, they exhibit little resistance in accepting it. Such a plan is much more likely to be a successful motivator than the one imposed by the management.

It is appropriate to involve employees in many phases of a reward system. For example, a wide variety of employees should serve in job evaluation committees. If a point-ranking method is adopted, it is reasonable to involve employees in identifying the compensable factors to be used and the weight to be assigned to each factor. Employees are also likely to have a good insight in identifying competitor firms that should be included in a wage survey.

There are several mechanisms for employee involvement. At the broadest level the employees can be surveyed to learn about their preferences. Employee task forces can help integrate these preferences into a system. Such groups are usually an excellent way to involve employees in any decision associated with a reward system.

The decision to involve employees in designing or administrating a remuneration plan should not be made in haste. Employee participation is unlikely to work well unless the organisation has already established an overall philosophy of participative management, as well as a reasonable climate of organisational trust. Participation takes considerable time—if time and trust are limited, a more traditional, a top-down approach might be more appropriate.[13]

Eliticism versus Egalitarianism Firms become egalitarian when they place most of their employees under the same remuneration plan. The plan becomes elitist when the organisations establish different remuneration schemes. In some firms only the CEO is eligible for stock options. In others, even the lowest paid workers are offered stock options. In some other companies only one category of employees is offered incentive schemes but in others all employees are covered by pay-for-performance schemes.

Egalitarianism gives organisations more flexibility to deploy employees in different areas without having to change their pay levels. It can also reduce barriers between people who need to work together. Egalitarian remuneration systems are found mainly in highly competitive environments where companies frequently take business risks and try to expand their market share by continually investing in new technologies, ventures and products.

Elitist remuneration systems are prevalent among older, well-established firms with mature products, a relatively stable market share and limited competition. Elitist pay structures tend to result in a more stable work-force because employees make more money only by moving up through the company.[14]

Below Market versus Above Market Remuneration Remuneration involving decision relating to below market or above market pay structure has two implications. *First*, a firm's ability to attract talent from others depends on employee's pay relative to alternative employment opportunities. *Second*, the choice has an important cost component. Decision to above going rate obviously adds to the cost. However in general, above market pay policies are more prevalent among larger companies in less competitive industries, such as utilities and among companies that have been performing well and have the ability to pay more. In addition, companies desirous of growing fast in a tight labour market need to pay above market rates. Unionised firms also need to pay higher rates.

Firms paying below market rates tend to be small and disorganised. Garment units, beedi rolling and incense-sticks rolling firms pay wages that do not come anywhere near current rates.

Monetary versus Non-monetary Rewards The issue relating to monetary and non-monetary rewards has primarily tax implications. Many non-monetary rewards such as medical benefits and housing are fully or partially exempted from taxes. Employees and even employers prefer non-monetary benefits than monetary rewards. There are other implications of non-monetary benefits that are explained in detail in Chapter 13.

WAGE POLICY IN INDIA

Wage policy refers to all systematic efforts of the government in relation to national wage and salary system. It includes orders, legislations, and so on to regulate the levels or structures of wages and salaries with a view to achieving economic and social objectives of the government. Specifically, the objectives of wage policy are:

1. To obtain for the workers a just share of the fruits of economic development.
2. To set minimum wages for workers whose bargaining position is weak.
3. To bring about a more efficient allocation and utilisation of human resources through wage and salary differentials.
4. To abolish malpractices and abuses in wage and salary payments.

The first step towards the evolution of a wage policy was the enactment of the Payment of Wages Act, 1936. The main objective of the Act is to prohibit any delay or withholding of wages legitimately due to the employees. The next step was the passing of the Industrial Disputes Act, 1947, authorising all the state governments to set up industrial tribunals which would look into disputes relating to remuneration. Another notable development that led to the evolution of wage policy was the enactment of the Minimum Wages Act, 1948. The purpose of the Act is the fixation of minimum rates of wages to workers in sweated industries such as woollen, carpet making, flour mills, tobacco manufacturing, oil mills, plantations, quarrying, mica, agriculture, and the like. The Act was amended several times to make it applicable to more and more industries. Then came the Equal Remuneration Act, 1976, which prohibits discrimination in matters relating to remuneration on the basis of religion, region or sex.

The Constitution of India committed the government to evolve a wage policy. Successive five-year plans have also devoted necessary attention to the need for a wage policy. Following the recommendations of the First and Second Plans, the Government of India constituted wage boards for important industries in the country. A wage board is a tripartite body comprising representations from the government, owners, and employees. Technically speaking, a wage board can only make recommendations, and wage policies are normally implemented through persuasion.

In spite of legislations, tribunals, and boards, disparities in wages and salaries still persist. Some of the disparities are:

1. Employees of MNCs are paid much more than their counterparts in host countries for identical work.
2. Different industries have different wage and salary structures resulting in disparities in remuneration for identical work.
3. Wide gaps exist between wages and salaries of employees in the organised sector and of those in the unorganised sector, the latter earning much less than the former.
4. Differences exist between earnings of employees in the government sector and those in the private sector.
5. Within the government sector, salary differences exist among employees of different departments.

The disparities are glaring. If an illiterate supervisor in a leather processing unit can earn Rs 12,000 plus per month and a half-yearly bonus, how much can a university professor earn? Rs 10,000 and no bonus? If an auto driver can earn Rs 3000 per month, how much should a temporary lecturer in a college earn? Rs 1200 per month? And remain temporary forever. A sweeper in L&T is an income tax assessee but a BE or an MBBS degree holder works for Rs 800 per month in a small-scale unit or Rs 1200 in a private nursing home, respectively.

There are clerks in Mumbai who get nearly twice as much as a labour tribunal judge—the man who arbitrates everyone's wages and salaries. And a head clerk in the LIC gets, at the maximum of his grade, more than half of the salary of a high court judge, not less.

In order to correct such disparities, the Government of India appointed a Committee headed by Mr Bhootalingam in 1979. The brief given to the Committee was to suggest rational and integrated wage policy covering all sectors of the economy. Soon after the Committee submitted its report, there was hue any cry raised against the recommendations. It was criticised as anti-labour and impracticable. The report was promptly and predictably shot down.

CONCEPTS OF WAGES

While evolving, wage policy, three concepts of wages, namely, **(i)** minimum wages, **(ii)** fair wages, and *(iii)* living wages are generally considered. These are broadly based on the needs of the workers, capacity of the employee to pay, and the general economic conditions prevailing in a country.

Minimum Wage

Minimum wage providing for sustenance of life plus for preservation of the efficiency of worker.

Minimum wage is the one which provides not merely for bare *sustenance* of life, but also for the preservation of the efficiency of the worker. For this purpose, the minimum wage must also provide for some measure of education, medical requirements and amenities. Minimum wage may be tied by an agreement between the management and the workers, but is usually determined through legislation. This is more so in the unorganised sector where labour is unionised. In the fixation of minimum wages, besides the needs of workers, other factors like ability of the concern to pay, nature of the jobs, and so on, are also considered.

Fair Wage

Fair wage
Equal to the rate prevailing in the same trade and in the neighbourhood, or equal to the predominant rate for similar work throughout the country.

Fair wage is understood in two ways. In a narrow sense, wage is fair if it is equal to the rate prevailing in the same trade and in the neighbourhood for similar work. In a wider sense, it will be fair if it is equal to the predominant rate for similar work throughout

the country and for trades in general. Irrespective of the way in which fair wage is understood, it can be fixed only by comparison with an accepted standard wage. Such a standard can be determined with reference to those industries where labour is well organised and has been able to bargain well with the employers.

Living Wage

Living wage
Higher than fair wage. Provides for bare essentials plus frugal comforts.

Living wage is a step higher than fair wage. Living wage may be described as one which should enable the wage earner to provide for himself/herself and his/ her family not only the bare essentials of life like food, clothing and shelter, but a measure of frugal comfort including education for children; protection against ill health; requirements of essential social needs; and/or measure of insurance against the more important misfortunes including old age. A living wage must be fixed considering the general economic conditions of the country. The concept of living wage, therefore, varies from country to country. In the more advanced countries, living wage itself forms the basis for the minimum wage.

In India, minimum wage is determined mainly for sweated industries under the provisions of the Minimum Wages Act, 1948. Fair wage is fixed for other industries considering prevailing rates of wages, productivity of labour, capacity of the employer to pay, level of national income and other related factors.

Tribunals, awards and wage boards play major role in fair wage fixation. Many people are of the opinion that living wage is a luxury for a developing country like India and can therefore be deferred.

REMUNERATING SPECIAL GROUPS

Special groups such as professionals, teams, contract employees, expatriates, and executives pose unique challenges to HR managers so far as their remuneration is concerned. The following section throws light on these unique groups.

Team-based Pay Teams have come to stay in organisations, particularly in new economy firms. In Infosys, for example, there are as many as 1800 teams and the strength of each team varies from five to 100 depending on the size of the project. Teams are projects based.

A team is a small number of people with complimentary skills who are committed to a common purpose, common performance goals, and an approach they hold themselves mutually accountable.[15] Teams are empowered to plan, control and improve their work processes; set their own goals and inspect their own work; prepare their own budget and procure any materials they need; hire and train employees they require; and take responsibility for outcomes.

How to remunerate teams? The ideal method is to pay base wage to each member in addition to payment for the performance of the entire team.

Remunerating Professionals Professionals include core strategy groups, knowledge management executives, scientists and economists. Their pay initially is for the knowledge they bring to the organisation. Overtime, their knowledge becomes obsolete and what to do with these professionals is a challenge to HR managers. One way is to absorb them into managerial positions and remunerate them accordingly. But many of the professionals are good as that but not as managers.

The alternative solution is to create a separate pay structure for professionals. Such a pay structure should provide for a rapid increase in pay for roughly five to seven years, and then a more gradual rise as technical obsolescence erodes their value.[16]

Contract Employees Contract employees are engaged by employment agencies. These agencies provide manpower when required by a company. The company pays the agency which in turn is responsible for paying to the contract employees. Obviously, contract employees are not on the pay roll of the company.

Contract employees receive less than conventional employees and are not entitled for any statutory or retirement benefits. It is disheartening to observe the wide disparity existing between a conventional employee and a contract employee. It is time that specific regulation is made to protect interests of contract employees.

Expatriates and Executives Remuneration of executives and expatriate is a big challenge to the HR managers. As compensating these two unique groups involves several complexities, Chapters 14 and 28 respectively are devoted exclusively to discuss these problems.

SUMMARY

Employee remuneration has different connotations for different people. For an employee, it means status and standard of living; for the employer it adds to the cost; and to the HRM administration of remuneration is an important activity.

Remuneration comprises both financial as well as non-financial benefits. Only financial benefits are considered in this chapter.

External and internal factors have an impact on an employee's pay package. Factors external to an organisation include labour market, going rate, cost of living, labour unions, labour laws, society and the economy. Internal environment, on the other hand, includes the company's ability to pay, job evaluation and performance appraisal, and the worker himself/herself.

The common practice followed for wage and salary determination is to fix the rate per unit of time (per day, per month or per annum) and calculate the total wages by multiplying the number of units of time with the rate per unit of time.

The wage policy in our country is governed by several legislative provisions and constitutional requirements. The other issue covered in the chapter is wage concepts.

KEY TERMS

Ability to pay
Cost of living
Compensable factors
Comparable worth
Egalitarian remuneration
Employee remuneration
Fringe benefits
Fair wages
Going rate
Incentives
Job classes
Living wage
Minimum wage
Pay reviews
Pay surveys
Productivity
Skill based pay
Wage policy

REVIEW QUESTIONS

1. What do you understand by employee remuneration? What is its significance?
2. Bring out the components of employee remuneration.
3. Outline the external as well as internal environments of employee remuneration.
4. Bring out the procedure for fixing salary for monthly rated employees.

DISCUSSION QUESTIONS

1. Should central and state governments be able to legislate minimum wages rather than adopting a *laissez-faire* attitude that would allow employers operating on a slim profit margin to pay only what they could afford? Discuss.
2. Experts argue that companies need to focus on strategy formulation, implementation, competition and the like and not waste their time and energy on matters relating to wages and salaries. Give your view point.
3. Suppose you manage a small business with 30 employees. You discover that some employees are motivated by money, while others are motivated by security. For those who want more money you provide merit pay increases in which their income is determined by their productivity. The other employees have a fair salary. What problems might arise?
4. Is money the prime trigger of employee performance?

Closing Case

Determining Pay Raise

The Scientific Equipment Manufacturing company is a small manufacturing unit located in Peenya, Bangalore. The company is non-unionised and manufactures analytical equipment for hospital laboratories.

Approximately one year ago, the manager of the Component Assembly Department established three production goals for the department. The goals were: **(i)** reduce raw material storage costs by 10 per cent; **(ii)** reduce variable labour costs (i.e. overtime) by 12 per cent; and **(iii)** decrease the number of quality rejects by 15 per cent. The manager told the six unit supervisors that the degree to which each supervisor met or exceeded these goals would be one of the major inputs for their merit-pay increases for the year. In previous years, merit increases were based on seniority and an informal evaluation by the department manager.

The six supervisors worked on separate but similar production lines. A profile of each supervisor is as follows:

Amitha Aged 28, single; three years with the company after receiving her degree from the Bangalore University. Has a job offer from another company for a similar job that provides a substantial pay increase over her present salary. The Scientific Equipment does not want to lose Amitha because her overall performance has been excellent.

Shindhe Aged 32, married with three children; three years with the company, high school education. One of the most stable and steady supervisors. However, he supervises a group of workers who are known to be unfriendly and uncooperative with him and other employees.

Anandan Aged 34, married with four children; high school equivalent learning; one year with the company. Came to Karnataka six years ago from Tamil Nadu. A steady worker, well-liked by his co-workers, but has difficulty in learning the local language. He has, therefore, problems of communication within his group and with others.

Hemalatha Aged 29, divorcee with three children; two years with the company; high school education. Since her divorce one year ago, her performance has begun to improve. Prior to that, her performance was very erratic, with frequent absences. She is the sole support for her three children.

Eshwar Murthy Aged 27, single; two years with the company, college graduate. One of the best-liked employees at Scientific Equipment. However, he has shown a lack of initiative and ambition on the job. Appears to be preoccupied with his social life, particularly around his recently purchased house.

Cheriyan Aged 24, married with no children; one year with the company after graduating from a local college. First full-time job since graduation from college. He is liked by all employees and has exhibited a high level of enthusiasm for his work.

Exhibit 11.3, presents summary of the performance of the six supervisors' during the past year. The data include the current annual salary, the performance level on the three goals, and an overall evaluation by the department manager.

Exhibit 11.3

Supervisor	*Current Salary (Rs)*	*Storage Costs (10%)*	*Goal Labour Costs (12%)*	*Attainment Quality Rejects (15%)*	*Effort*	*Manager's Cooperative-ness*	*Evaluation Ability to Work Indepen-dently*	*Knowledge of Job*
Cherian	23,000	12%	12%	17%	Excellent	Excellent	Good	Good
Amitha	24,000	12%	13%	16%	Excellent	Excellent	Excellent	Excellent
Shindhe	24,000	6%	2%	3%	Good	Excellent	Good	Good
Anandan	22,000	4%	4%	12%	Excellent	Good	Fair	Fair
Hemalatha	23,000	11%	10%	10%	Fair	Fair	Fair	Good
Eshwar Murthy	24,000	8%	10%	3%	Fair	Fair	Fair	Fair

The new budget for the upcoming year has allocated a total of Rs 1,40,000 for supervisory salaries in the Component Assembly Department, Rs 40,000, increase from last year. The management has indicated that salary increases should range from five per cent to 12 per cent of the supervisors' current salaries and should be tied, as closely as possible, to their performance.

In making the merit-pay increase decisions, the following points should be considered:

1. The decisions will likely set a precedent for future salary and merit increases.
2. Salary increases should not be excessive, but should be representative of the supervisor's performance during the past year. It is hoped that the supervisors develop a clear perception that performance will lead to monetary rewards and that this will serve to motivate them to even better performance.
3. The decisions should be concerned with equity, that is, they ought to be consistent and comparable with each other.
4. The company does not want to lose these experienced supervisors to other firms. The management of this company not only wants the supervisors to be satisfied with their salary increases, but also to further develop the feeling that Scientific Equipment Manu-facturing is a good company for advance-ment, growth, and career development.

Instructions for the exercise

1. Each person in the class should individually determine the Rupee amount and percentage increase in salary for each of the six super-visors. Individual decisions should be justified by a rationale or decision rule.
2. After each individual has reached a decision, the group will convene and make the same decision as noted in (1) above.
3. After each group has reached a decision, a spokesperson for each group will present the following information to the full class:
   (a) The group's decision concerning merit pay increase for each supervisor (rupee and percentage).
   (b) The high, low, and average individual decisions in the group.
   (c) A rationale for the group's decision.

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CHAPTER 12

Incentives and Performance-based Payments

LEARNING OBJECTIVES

After reading this chapter you should have a good understanding of the:

- Nature, importance and drawbacks of incentive payments
- Various pre-requisites for an efficient system
- Types of incentive schemes and describe them
- Application of incentive schemes in Indian industries
- Steps involved in installing an incentive plan

Opening Case

INCENTIVES AND ERRORS

As the incentive schemes described later in this chapter indicate, incentive payments are based on efficiency of employees, efficiency itself being determined by comparing actual performance with standard performance. But in medical transcription, efficiency is determined on the number of errors—not committed ofcourse!

Medical transcription falls under BPO industry and involves conversion of voice file into a document file as a soft copy. The typical medical transcription operates through well defined phases sequenced logically. An US based medical doctor speaks into the dictaphone all about his patient's medical history, prescriptions, observations, diagnosis, course of treatment and the schedule of the patient's visits to the clinic. This voice file is transmitted through dedicated telecommunica-tion lines to the medical transcriber in India. The medical transcriber logs on to his or her computer and starts transcribing. The completed document file is sent back to the doctor in the US. The medical transcription requires the services of transcribers, proofers, trainers, team leaders, quality coordinators and project heads. All these employees are put on incentives, in addition to their basic salaries and allowances.

A Bangalore based medical transcription firm has implemented incentive schemes (resembling somewhat the Emerson's efficiency plan) for its employees. Of particular interest is the scheme designed and made applicable to the team leaders. A team leader is entitled for three types of incentives as shown below:

(a) Productivity/Quality Incentive

This incentive is based on the total lines transcribed by the team during the month and also depends on error rates as shown in the following table:

Errors/1000 Lines	*Incentive Amount*
0–5	0.20/line produced by the team
6–15	0.14/line produced by the team
16–25	0.09/line produced by the team
26–35	0.06/line produced by the team
36–45	0.03/line produced by the team
46–55	0.01/line produced by the team
>55	(-)0.03/line produced by the team*

*The effect of negative incentive will not be carried over to the base salary

(b) Turnaround Time (TAT) Incentive

Rs 2,500 if TAT of the primary account is at or less than 4% (as decided by concerned authorities in production from time to time) out of turn.

(c) Lines Direct to Client Incentive

Rs 0.05 will be paid per line produced by the team that goes directly to the client during the month.
Note: The maximum incentive per month is limited to Rs 18,000 (for a team of 18 or less number of members). For teams exceeding 18 members, an incremental amount calculated on prorata basis for every additional member in the team would be the limit.

Team Bonus

Along with the team leader, team is also entitled to bonus calculated as follows:
(a) Bonus of Rs 2,000 if the team achieves 25 or less than 25 errors per 1,000 lines in a month.
(b) Bonus of Rs 4,000 if the team achieves 20 or less than 20 errors per 1,000 lines in the month.

Besides wages and salaries, employees are paid incentives depending upon their performance. Incentive payments are quite substantial and are paid as regularly as wages and salaries. They are universal. Incentives are paid in all sectors—manufacturing, services sector or medical transaction as the opening case shows.This chapter is devoted to a detailed discussion on the nature, significance and types of incentives.

NATURE OF INCENTIVE PAYMENTS

Incentives are monetary benefits paid to workmen in recognition of their outstanding performance. They are defined as "variable rewards granted according to variations in the achievement of specific results."[1] The International Labour Office refers to incentives as 'payment by results'. But it is appropriate to call them 'incentive systems of payment' emphasising the point of motivation, that is, the imparting of incentives to workers for higher production and productivity.[2] However, both these terms are used in this chapter. Unlike wages and salaries which are relatively fixed, incentives generally vary from individual to individual, and from period to period for the same individual.

Incentives are variable rewards granted to employees according to variations in their performance. The other name for incentives is 'payment by results'. But the word 'incentive' is most appropriate because of its motivational content.

Importance

The primary advantage of incentives is the inducement and motivation of workers for higher efficiency and greater output. It may not be difficult to get people for fixed wages and salaries. But with fixed remuneration, it is difficult to motivate workers to show better performance. Fixed remuneration removes fear of insecurity in the minds of employees. A feeling of secured income fails to evoke positive response. Positive response will surely come when incentives are included as a part of the total remuneration.

Earnings of employees would be enhanced due to incentives. There are instances where incentive earnings exceed two to three times the time-rated wages or salaries. Increased earnings would enable the employees to improve their standard of living. Employees of Infosys became richer by Rs 100 crore when they received bonus on the occasion of the company celebrating $1 billion in revenues in April 2004.

There will be reduction in the total as well as unit cost of production, through incentives. Productivity would increase resulting in greater number of units produced for given inputs. This would bring down the total and unit cost of production.

Production capacity is also likely to increase. The Bangalore-based Rail Wheel Factory, for example, has now a production capacity of 77,000 wheels and 48,000 axles as against the initial capacity of 56,800 wheels and 23,000 axles. The higher capacity has been achieved as a result of implementation of the recommendations for the adoption of a group-incentive scheme carried out by the Rail India Technical and Economic Services.

The other advantages of incentive payments are reduced supervision, better utilisation of equipment, reduced scrap, reduced lost time, reduced absenteeism and turnover, and increased output. Furthermore, systems of payment by results would, if accompanied by improved organisation and work measurement, enable firms to estimate labour costs more accurately than under the system of payment by time. This would facilitate the application of cost-control techniques like standard costing and budgetary control.[3]

Apart from the benefits cited above, incentive packages are a very attractive proposition for managements because they do not affect employer's contribution to the provident fund and other employee-retirement benefits.

Disadvantages

On the other hand, systems of payment by results may have disadvantages. There is a tendency for the quality of products to deteriorate unless steps are taken to ensure maintenance of quality through checking and inspection. This involves added expenses. In some cases, it may not be possible or may be too expensive to maintain quality fully, and the benefit, gained in the form of increased output and lower cost may be offset to a considerable degree by deterioration in the quality of the products.[4]

Difficulties may arise over the introduction of new machines or methods. Workers may oppose such introduction for fear that new piece or bonus rates set, when the job is restudied at intervals of time, may yield lower earnings; or when new machines or methods are introduced; they may slacken their rate of work in order to avoid rising output to a level which would make a restudy of the job necessary. Costs may not, therefore, be lowered to the extent that would be necessary if the workers were on time-based work. Most trade unions agree that cuts in piece or bonus rates are justifiable in such circumstances. But individual workers may not share this view, and output and the level of costs may be affected accordingly.

Workers tend, moreover, to regard their highest earnings as normal and may, therefore, press for a considerably higher minimum wage when they are paid by results than when they are paid by the hour. Payment by results may, therefore, lead to higher labour costs in certain industries such as paper-making and coal mining where workers experience, for reasons beyond their control, good and bad runs. Their earnings on the days they have good runs are apt to be regarded by them as normal earnings.[5]

Besides, there is evidence that some workers paid by results have disregarded security regulations in order to achieve high output, thus, increasing the danger of accidents. Some workers tend to overwork during the normal working day and sometimes keep on working in their lunch hour. These practices would affect their health.

Another disadvantage is that jealousies may arise among workers because some are able to earn more than others. In the case of group-incentive schemes, the workers who are fast in their work may be dissatisfied with those who are slow. Where heavy work is involved, older workers are likely to be criticised for being too slow.

One of the greatest difficulties with the incentive systems is in the setting of piece or bonus rates. Rate fixing involves delicate problems of judgement in which there is always a risk of error. If rates are set too low, workers are bound to be dissatisfied and will be under pressure to work very hard. If rates are set too high, workers may slacken their efforts at times so that their employers may not have cause to ask for a revision of rates because the earnings are too high. Workers sometimes decide approximately how much they feel they wish to earn and are, therefore, not interested in working for that part of the day which remains after they have earned the amount they want.[6]

Difficulty also arises in determining the standard performance. Many organisations follow a safe route to fix the standards—which is usually the average of past years' performance. Past performance may not be the ideal basis for fixing production norms.

Since preparing incentive schemes is such a complex business, managements usually outwit their employees. For instance, the period over which incentives are payable is an important factor in determining how much a worker earns. At Bharat Gears, for example, an incentive is payable on the average of three month's production. This gives the company the opportunity to recover the production lost as a result of late deliveries of raw materials, technical breakdowns, and so forth. Even if the workers produce, for a certain period, in excess of the norm, they may not be eligible for incentive pay.[7]

Incentive payments make the employees indulge in conspicous consumption.

The argument that incentives lead to higher earnings for workers has its flip side too. Workers of Premier Automobiles' plant at Kurla, Mumbai, prove this point. Between 1978 and 1991, incentive payments accounted for 60 per cent of a worker's gross income. In 1991, a daily-rate worker whose basic wage, DA and allowances amounted to Rs 3500 was earning an additional Rs 3000 as incentive payment. On one occasion, a daily-rate worker's wages reached Rs 9000. Since the incentive was calculated as a percentage of basic wage, the monthly-rated workers were doing even better. Their average gross income was Rs 9000 while some estimates put the figure at Rs 10,500. Since the high-incentive earnings remained constant for a long period, incentive pay was treated as guaranteed pay by workers who pegged their consumption levels to much higher levels. They made long-term investments in housing and consumer durables, and even availed of loans amounting to a few lakhs from HDFC and other such co-operative societies.

But in recent years, as stocks piled up and production came to a virtual stop, the workers lost their entire incentive payment. Worse for some, after deductions for loans, take home pay was considerably less than the guaranteed wage of Rs 4000 to 5000. A reliable source within the company estimated that about 10 per cent of the workmen take home no pay at all. The workers, as a result, remain an extremely disgusted lot, but there is little anyone can do about it.[8]

There is an ethical dimension to incentive payments as well. It is unjust to pay extra to the employees when they are already paid their usual wages and salaries. If an employee is paid for eight hours a day, he or she is expected to show better performance for the day. To show increased production, extra payments are not necessary. There are also instances where incentives lead to corruption. Supervisors and workmen join

hands, false production figures are recorded and wrong time bookings are made in order to enable employees earn enhanced incentives. The booty is later shared with the supervisors who colluded with the employees in the fraud.

Incentive payments are linked to employees' performance. A standard performance is set for employees. The actual performance is then compared with the standard, and depending upon the degree of efficiency, incentives are fixed. Unfortunately, these standards themselves become ceilings on productivity of employees. Workers would be happy to attain a performance near the standards, and may not strive to cross them.

One of the arguments for incentives is that they motivate employees for higher performance. This argument seems to be untenable going by Herzberg's theory of motivation. According to Herzberg, money is a hygiene factor which, when provided, will help remove dissatisfaction. For motivation to take place, other motivators like opportunities for achievement and challenging job, must be provided in addition to adequate financial rewards.

Potential pitfalls like the ones stated above do not mean that incentive schemes should not be implemented. Rather, they suggest that such plans are more effective when implemented as a part of a comprehensive management programme aimed at maximising output by tapping the potential and commitment of employees.

PREREQUISITES FOR AN EFFECTIVE INCENTIVE SYSTEM

All things considered, it may be concluded that in many industries or undertakings and for a large group of operations, well-designed systems of payment by results shall yield advantages to all concerned. Many of these advantages will be realised provided sufficient safeguards are provided. Such pre-requisites are:

1. The co-operation of workers in the implementation of an incentive scheme is essential because the employees somehow devise, if they do not like a scheme, ingenious ways of evading or sabotaging the plan, often with the tacit connivance of the foreman or supervisor.[9] Workers' co-operation may be secured through proper discussion with their representatives.

   In particular, workers' co-operation is necessary in:

   (i) the methods followed in measuring the results or output upon which payment is based;
   (ii) the methods followed in setting wage rates for different classes of work; and
   (iii) appropriate safeguards concerning earnings, job security and settlement of disputes over piecework rates and allotted time.

   To prove that the schemes were often introduced without workers' cooperation and consequently met with failure, we quote the following:

   '... the practice adopted by several industrial establishments in the Mumbai region in regard to the preparation of an incentive scheme is to hire an industrial consultant and to make him work in the establishment under the cloak of secrecy, until a scheme has been finally prepared. It is only after several months that the workers of the establishment and their unions begin to suspect that some scheme is under preparation. Trade union leaders, who are not employees currently, are not even allowed to watch how standards have been evolved. Naturally, the workers reject out-of-hand, a scheme prepared so surreptitiously.'[10]

2. The scheme must be based on scientific work measurement. The standards set must be realistic and must motivate workers to put in better performance. Workers must be provided with necessary tools, equipment and materials so as to enable them reach their standards.
3. Indirect workers, such as supervisors, foremen, charge hands, helpers, crane operators, canteen staff, store keepers, and clerical staff should also be covered by incentive schemes.

4. There should be management commitment to the cost and time necessary to administer incentive schemes properly, and these must be carefully assessed before embarking on an incentive programme. There are many situations in which the potential gains are just not worth the cost and effort involved. It also means a commitment in terms of integrity to the spirit as well as the letter of the programme—having the courage to abide by it when the payout deteriorates and the honour to own up when results are not forthcoming.[11]
5. There is greater need for planning. Many incentive schemes, started hurriedly, planned carelessly, and implemented indifferently have failed and have created more problems for the organisation than they have tried to solve. This was what happened to the three big plants of Hindustan Steel (now SAIL), where an incentive scheme was introduced during 1960s. Though the initial objective of raising the output of steel was achieved, problems arose regarding production of sophisticated items and improvement of the quality of products. The scheme did not function satisfactorily from the point of view of maintenance of plant and equipment, which, in turn, affected output. The performance of ancillary units like repair shops, was unsatisfactory because the incentives in these shops were based on the overall steel production and not the units' own performance. Thus, the need for careful preparation for the installation of an incentive scheme.
6. The other safeguards are:
   (i) The incentive scheme should be appropriate to the type of work carried out and the workers employed.
   (ii) The reward should be clearly and closely linked to the efforts of the individual or group.
   (iii) Individuals or groups should be able to calculate the reward they get at each of the levels of output they are capable of achieving.
   (iv) Individuals or groups should have a reasonable amount of control over their efforts and therefore their rewards.
   (v) The scheme should operate by means of a well-defined and easily understood formula.
   (vi) The scheme should be properly installed and maintained.
   (vii) Provisions should be made for controlling the amounts paid, to ensure that they are proportionate to effort.
   (viii) Provisions should be made for amending rates in defined circumstances.[12]
   (ix) Create incentives for performance and disincentives for non-performance.
   (x) Set and review specific objectives for each employee periodically.

SCOPE OF INCENTIVE SCHEMES

Although the incentive payments have a universal appeal, their application is confined to certain important industries. Stated differently, payment-by-results schemes are difficult to apply in:

1. Industries in which measurement of individual or group output is rendered difficult or impossible either by technical consideration or by psychological circumstances which might be prejudicial to output;
2. Industries in which the control of quality is necessary and is particularly difficult, or in the case of certain classes of workers, where high quality and precision of work is of prime importance; and
3. Industries in which the work is dangerous and it is particularly difficult to ensure the observance of adequate safety precautions.

Barring the above three categories, incentive schemes can be applied to all industries. Specifically, they are being successfully employed in the textile and metallurgical industries, the metal trades, mining, and

many branches of clothing, leather and rubber industries. Incentive schemes have also been successfully applied in certain countries, and in certain circumstances in the building industry and in chemical and other industries.

Generally speaking, systems of payment by results can be most successfully employed in the large companies which can afford to employ administrative and engineering staff needed to ensure an efficient organisation of production, quality and measurement of work. However, such systems frequently yield appreciable results in smaller undertakings which may, in case of need, take recourse to the services of experts for the design of incentive schemes.[13]

It is often argued that incentive schemes are more desirable in labour-intensive manufacturing processes. Their application in fully automated plants is doubted. It may be stated that the schemes of payment by results have their role in mechanised enterprises too. But the justification comes for the wrong reasons. It would be easy for an operator to damage a CNC machine or for a programmer to plant virus in the computer if incentive earnings are denied to him or her. It is mainly to prevent such damages that incentive schemes are recommended in fully automated plants.

As a rule, incentives must not be introduced in a newly set-up unit. Workers must be content with time-rated earnings, at least during the first four to five years. This time period is necessary for the unit to carve a niche for itself in the market. This being achieved, it would be easy for the unit to sell the increased output brought in by incentives. Furthermore, as was noted earlier, incentives are likely to affect the quality of output. Any defect in quality would seriously affect fortunes of the newly set-up unit, particularly in its formative years.

? Pause and Ponder

Why college and university professors and administrative staff are not brought under incentive schemes? Make a case of their inclusion.

TYPES OF INCENTIVE SCHEMES

Incentives schemes are many and varied. The International Labour Organisation (ILO) classifies all the schemes of payment by results into four categories. They are (*see* Fig. 12.1):

1. Schemes where the workers' earnings vary in the same proportion as output.
2. Schemes where earnings vary less proportionately than output.
3. Schemes where earnings vary proportionately more than output.
4. Schemes where earnings differ at different levels of output.

Incomes Varying in Proportion to Output The chief characteristic of the schemes where incomes vary in proportion to output is that any gains or losses resulting directly from a worker's output accrue to him or her (leaving to the employer any gains or losses in overhead costs per unit of output). In contrast, when the worker is paid by the hour, day or month, all gains or losses resulting from changes in his or her output accrue to the employer.

The success of this type of incentive requires that the measurement of standard and individual outputs must be extremely accurate. Inaccuracy in these matters gives rise to inequities and may finally lead to the failure of the schemes due to worker dissatisfaction.

The straight piece-work and the standard hour systems are the two popular incentive schemes which come under the first category. *Straight piece-work* method is the simplest, oldest and the most commonly used method. Here, the rate pet unit of output is fixed, and the total earnings of a worker are arrived at by multiplying the total output (measured in terms of units) by the rate per unit.

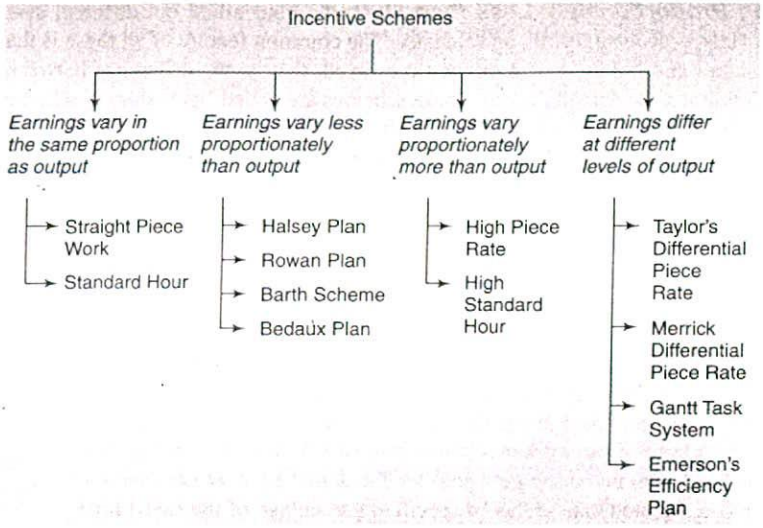


Fig. 12.1 Types of Incentives

Obviously, earnings of the worker directly depend upon his or her performance. For example, if the rate per unit is 10 paise and the total output of an employee is 100 units, his or her earnings will be 100 × 0.10 = Rs 10.00.

Extending the logic of the piece-rate system, a worker has to go without wages if he or she fails to turn out the required goods. For this reason, the system is modified in one respect—the worker's time-rate is guaranteed. The time-rate is usually at a level which will yield earnings below the expected average earnings on piece-work in average conditions. It is designed to protect the worker against unduly low earnings due to causes beyond his or her control.

In the *standard hour* system (also called 100 per cent gains-sharing), standard time in terms of hours is fixed for completion of a job. The rate per hour is then determined. A worker is paid for a standard time at his or her time-rate if he or she completes the job in the standard time or less. He or she is paid the same wages if he or she takes more than the standard time, unless he or she is guaranteed time wages. If time wages are guaranteed, he or she gets paid on the basis of the time taken multiplied by the time-rate.

The following examples illustrate the method:

Standard time = 10 hrs
Rate per hour = Re 1

Case (i)

Time taken = 8 hrs
Earnings = 10 × 1 = Rs 10.00

Case (ii)

Time taken = 12 hrs

(a) Earnings if time wages are not guaranteed
= 10 × 1 = Rs 10

(b) Earnings if time wages are guaranteed
= 12 × 1 = Rs 12

Earnings Varying Proportionately Less than Output Four allied but different systems come in this group, namely, Halsey, Rowan, Barth, and Bedaux. The common feature of all these is that *time* is used as the measure of output and bonus is paid on the time saved, that is, the difference between the standard time-set for the job and the time actually taken. These schemes are called 'gain-sharing schemes' as both the employer as well as the employee share the gains resulting from the saved time. The worker may be paid for half (or any other fraction) of the saved time, the employer getting the balance.[14]

These systems are often applied in cases where it is not possible to set standards or to measure the worker's output accurately. Under some of these schemes, it is possible for a worker to earn more for certain levels of output than he or she would, under piece-work, when production difficulties are encountered. If no such difficulties are confronted and the worker is able to increase his or her output substantially, he or she receives progressively for such output than he or she would if he or she were working on a straight piece-work.[15]

In **Halsey Plan**, bonus paid to a worker is equal to 50 per cent of time saved multiplied by rate per hour.

Under the *Halsey system,* standard time is fixed for the completion of a job and the rate per hour is then determined. If the worker takes the standard time or more to complete the job, he or she gets paid at the time rate. In other words, time wages are guaranteed even if the output of the worker is below standard. Where the work is done in less than the standard time, he or she gets paid for the actual time, at the time-rate plus a bonus which is calculated "at" or "as" a specified percentage of the saved time. The percentage varies from 30–70 per cent. The usual share is 50 per cent, the remaining going to the employer.

The following examples illustrate the scheme:

Standard time = 10 hrs
Rate per hour = Re 1

Case (i)

Time taken = 10 hrs
Earnings = 10 × 1 = Rs 10.00

Case (ii)

Time taken = 12 hrs
Earnings = 12 × 1 = Rs 12.00

Case (iii)

Time taken = 8 hrs
Earnings:
Time wages = 8 × 1 = Rs 8.00
Bonus = 1/2 × 2 × 1 = Rs 1.00
Rs 9.00

In **Rowan Plan**, bonus paid to the employee is equal to the proportion of the time saved to the standard time.

Under the *Rowan System* too, standard time and rate per hour are fixed. If the time taken to complete the job is equal to or exceeds the standard time, the employee is paid for the time taken at the rate per hour. If the time taken is less than the standard time, the employee is entitled to bonus, in addition to the time wages. The bonus takes the form of a percentage of the worker's time-rate. This percentage is equal to the proportion of the saved time, to the standard time.

Rowan system operates on the following lines:

Standard time = 10 hrs
Rate per hour = Re 1

Case (i)

Time taken = 10 hrs
Earnings = 10 × 1 = Rs 10.00

Case (ii)

Time taken = 12 hrs
Earnings = 12 × 1 = Rs 12.00

Case (iii)

Time taken = 8 hrs
Earnings = 8 × 1 = Rs 8.00
Bonus = 2/10 × 8 = Rs 1.60
Rs 9.60

Unlike the Halsey and the Rowan systems, the *Barth Variable Sharing system* does not guarantee the time-rate. The worker's pay is ascertained by multiplying the standard hour by the number of hours actually taken to do the job, taking the square root of the product and multiplying it by the worker's hourly rate.

For example:

Standard time = 10 hrs
Rate per hour = Re 1

Case (i)

Time taken = 12 hrs

Earnings = $\sqrt{12 \times 10}$

= 10.95 × 1 = Rs 10.95

Case (ii)

Time taken = 10 hrs

Earnings = $\sqrt{10 \times 10}$

= 10 × 1 = Rs 10.00

Case (iii)

Time taken = 8 hrs

Earnings = $\sqrt{8 \times 10}$

= 8.94 × 1 = Rs 8.94

Under the *Bedaux* scheme, the standard time for a job is determined. Each minute of the allowed time is called a point or B. Thus, there are 60 Bs in one hour. Each job has a standard number of Bs. The rate per hour is also determined. The worker receives, in addition to his or her hourly rate, a bonus which under the original plan is equal to 75 per cent of the number of points earned, in excess of 60 per hour, multiplied by one-sixtieth of the worker's hourly rate. If a worker does not reach his or her standard, he or she is paid at the time-rate.

Under the **Bedaux scheme**, standard time for a job is fixed. Each minute of the standard time is called a point or B. Each job has a standard number of Bs. The worker receives bonus which is equal to 75 per cent of the number of points earned, in excess of 60 per hour, multiplied by one sixtieth of the worker's hourly rate.

An example to illustrate the Bedaux system is as follows:

Standard time = 10 hrs
Rate per hour = Re 1

Case (i)

Actual time = 12 hrs
Earnings = 12 × 1 = Rs 12.00

Case (ii)

Actual time	= 8 hrs
Earnings: Time wages	= 8 × 1 = Rs 8.00

Bonus:

Standard Bs	= 10 × 60 = 600
Actual Bs	= 8 × 60 = 480
Bs saved	= 120
Bonus	$\frac{75}{100} \times \frac{120 \times 1}{60}$ = Rs 1.50
Total earnings	= 8 + 1.50
	= Rs 9.50

Earnings Varying Proportionately More than Output This category includes two methods **(i)** *the high piece rate and* **(ii)** *the high standard hour* system. Under the former, the earnings of the worker are in proportion to his or her output, as in straight piece-work, but the increment in earnings for each unit of output above the standard is greater. For example, for each one per cent increase in output above the standard, there may be a 4/3 times increase in earnings as compared to one per cent increase in earnings under the straight piece-rate system. The higher rates start applying after the standards have been reached. Similar logic applies to the high standard hour system.

The main feature of these two schemes is that since direct labour costs per unit increase for levels of output above the standard, the worker also shares the earnings in overhead costs which result from an increased output. The amount of this share depends on the size of the increments in earnings which are payable at different levels of output. If these increments were large enough and increased progressively with output, the workers obviously could obtain all the savings in overhead costs. This is not, of course, the case where the increment in, earnings remains the same for each successive increase in output.[16]

Earnings Differing at Different Levels of Output This group includes several schemes. These systems can be best explained by describing how earnings vary from minimum to maximum at different levels of output. Earnings for one part of the range may vary proportionately less than output and for another part proportionately more, or more usually in the same proportion as the output.[17] The Taylor's Differential Piece-Rate system, the Merrick Differential Piece-Rate system, the Gantt Task system, the Emerson's Efficiency system and the Accelerating Premium system fall under the category where earnings differ at different levels of output.

Under the *Taylor's Differential Piece-Rate system* (developed by F.W. Taylor in 1880) there is a low rate for output below the standard, and a higher piece-rate for output above the standard with a large bonus of 50 per cent of the time-rate when the standard output is attained.

In the **Taylor's Differential Piece Rate System**, an efficient worker (whose output exceeds standard output) is paid 120 per cent of the piece rate. An inefficient worker (whose output falls short of standard) is paid only 80 per cent of the piece rate.

To illustrate the Taylor's piece rate system, we take the following:

Standard output	= 100 units
Rate per unit	= 10 paise

Differentials to be applied:
120 per cent of piece-rate at or above the standard
80 per cent of piece-rate when below the standard

Case (i)

Output	= 120 units
Earnings	$= 120 \times \frac{120}{100} \times 0.10$ = Rs 14.40

Case (ii)

Output = 90 units

Earnings $= 90 \times \frac{80}{100} \times 0.10 = \text{Rs } 7.20$

The Merrick Differential Piece-Rate system is a modification of the Taylor system, with three instead of two rates. One large step is broken into two, so as to encourage new and average workers. Straight piece-rates are paid upto 83 per cent of the standard output, at which a bonus of 10 per cent of the time-rate is payable, with a further 10 per cent bonus on reaching the standard output. For outputs above the standard, high piece-rates are paid.

Under the **Merrick Differential Piece-Rate,** straight piece rate is paid to the worker upto 83 per cent of the standard output, at which a bonus of 10 per cent of the time-rate is payable, with a further 10 per cent bonus on reaching the standard output.

The Merrick system can be illustrated as follows:

Standard output = 100 units
Piece-rate = 10 paise

Case (i)

Output = 80 units

Efficiency $= \frac{80}{100} \times 100 = 80\%$

Earnings:

As the efficiency is less than 83 per cent, only the base piece-rate applies:

$80 \times 0.10 = \text{Rs } 8.00$

Case (ii)

Output = 90 units

Efficiency $= \frac{90}{100} \times 100 = 90\%$

Earnings:

As the efficiency is more than 83 per cent but less than 100 per cent, 110 per cent of the base piece-rate applies:

$$90 \times \frac{110}{100} \times 0.10 = \text{Rs } 9.90$$

Case (iii)

Output = 110 units

Efficiency $= \frac{110}{100} \times 100 = 110\%$

As the efficiency exceeds 100 per cent, 120 per cent of the base piece-rate applies:

$$110 \times \frac{120}{100} \times 0.10 = \text{Rs } 13.20$$

Under the *Gantt Task system,* the worker is guaranteed his or her time-rate for output below the standard. On reaching the standard output or task, which is set at a high level, the worker is entitled to a bonus of 20 per cent of the time wages. For outputs above the task, high piece-rates are paid.

The Gantt Task system operates as follows:

Rate per hour = Re 0.50
High piece-rate = Re 0.10
Standard output = 80 units
Time taken = 8 hrs

Case (i)

Output = 70 units

As the output is less than the standard only time wages are paid to the worker.

Earnings = 8 × 0.50 = Rs 4.00

Case (ii)

Output = 80 units

Earnings

As the output is equal to the standard, the worker is entitled to time wages plus 20 per cent of time wages as bonus.

Time wages = 8 × 0.50 = Rs 4.00

Bonus $= \frac{20}{100} \times 4 =$ Re 0.80

Total earnings = Rs 4.80

Case (iii)

Output earnings: = 110 units

As the output is more than the standard, the worker is entitled to a high piece-rate.

110 × 0.10 = Rs 11.00

Under the *Emerson's Plan,* a standard time is set for each job, and the efficiency of each worker is determined by dividing the time taken by the standard time. Up to 67 per cent of efficiency, the worker is paid by time-rate. Thereafter, a graduated bonus, which amounts to a 20 per cent bonus at 100 per cent efficiency is paid to the worker. Thereafter, an additional bonus of 1 per cent is added for each additional 1 per cent efficiency.

In Emersion's Plan, upto 67 per cent of efficiency, only time rate is paid to the worker. Beyond this, a graduated bonus of 20 per cent at 100 per cent efficiency is paid. Thereafter, an additional bonus of 1 per cent, for each additional 1 per cent efficiency is added.

The following example illustrates the method:

Standard output in 10 hrs = 100 units.

Rate per hour = Re 1.

Case (i)

Output in 10 hrs = 50 units

Earnings:

Efficiency = 50 per cent

As the efficiency is below 67 per cent the worker is entitled to time wages only.

10 × 1 = Rs 10.00

Case (ii)

Output in 10 hrs = 100 units

Efficiency = 100 per cent

The worker is entitled to time wages plus 20 per cent of time wages as bonus.

Time wages = 10 × 1 = Rs 10.00

Bonus $= \frac{20}{100} \times 10 =$ Rs 2.00

Earnings: = Rs 12.00

Case (iii)

Output in 10 hrs = 130 units

Efficiency = 130 per cent

At the rate of 20 per cent at 100 per cent efficiency and one per cent increase for every one per cent increase in efficiency, the worker is eligible for 50 per cent of the time wage as bonus.

Time wages $= 10 \times 1 = \text{Rs } 10.00$

Bonus $= \frac{50}{100} \times 10 = \text{Rs } 2.00$

$= \text{Rs } 15.00$

Under the *Accelerated Premium system,* the earnings of workers increase with output, the rate of increase itself rising progressively with the output. The worker receives a strong incentive to increase his or her output in order to get increased earnings. But the accelerated premium systems are complicated and are difficult to understand and implement.

GROUP INCENTIVE PLANS

The discussion till now has covered incentive schemes for individual direct workers. A fundamental assumption common to all individual schemes is that the output of each worker can be accurately measured. But in some cases, for example, in the grinding and welding works in the electrical industry, the operations are performed by the group as a whole, and the contribution of each worker in the group cannot be accurately measured. In such cases, the group-incentive scheme is followed. Group incentives are as common as individual plans in industrial establishments.

Any individual scheme which has already been discussed may be applied to a group of workers. But the most common is the piece-work system. The total earnings of a group are first determined in accordance with the incentive method which is followed, and the earnings are then distributed among the members of the group on some equitable basis. If the group consists of members with equal skills, the earnings are divided equally among them. When the members are of unequal skill, the earnings of the group may be divided among the members in proportion to their individual time-rates, or according to specified percentages, or in some cases among only a certain number of members of the group.

Some of the advantages of group incentives are:

1. Better co-operation among workers,
2. Less supervision,
3. Reduced incidence of absenteeism,
4. Reduced clerical work, and
5. Shorter training time.

The disadvantages are:

1. An efficient worker may be penalised for the inefficiency of the other members in the group,
2. The incentive may not be strong enough to serve its purpose, and
3. Rivalry among the members of the group defeats the very purpose of team work and co-operation.

INCENTIVES FOR INDIRECT WORKERS

Indirect workers such as crane operators, helpers, charge hands, canteen staff, security staff, employees in purchasing, sales and accounts, and maintenance staff also deserve incentives at par with direct workers. Incentives should be paid to such workers either on the ground that they contribute to the increased production which the direct workers may achieve or on the ground that their work has increased because of increased production, or both. Such payments are desirable to avoid dissatisfaction and dissension among the workers in a plant, or even strikes, which may result if indirect workers are paid at time-rates while direct workers receive substantial bonus.

The payment of bonus to indirect workers poses a serious problem because the output of many of them cannot be accurately measured. For example, it is extremely difficult to measure the output of maintenance staff, security personnel, or canteen employees, though it is possible to assess the performance of inspectors, sweepers and packers.

But whether the output of indirect staff can be measured or not, a single system of bonus payment is made applicable to all of them. In some cases, the bonus is calculated according to some agreed percentage on the output of the plant or of a department. In others, the bonus is a specified percentage of the incentives of all or some of the direct workers. Many managements, however, prefer to apply a merit-rating system to indirect workers, which rewards these workers for other qualities, in addition to their output.[18]

INCENTIVE SCHEMES IN INDIAN INDUSTRIES

Introduced in 1946, incentive payments have become highly popular in our industries. They are as common as monthly wages and salaries. But the schemes in operation defy any generalisation because no two plants follow an identical scheme. The schemes differ from industry to industry, and from plant to plant within an industry. Some of the incentive schemes described by the ILO are followed here, but not in their original form. They have been modified to suit the local requirements. This is necessary because the implementation of incentive schemes, in their original form, necessitates work measurement and standardisation of operations which, in many cases, are not possible in our industries. Thus, the features of incentive payments are:

1. Though incentives are as old as industries themselves, it was only in 1946 that they were introduced in our country. Even to this day, the incentive schemes are in their infancy.
2. In most industrial establishments, the introduction of incentive schemes has not been preceded by work studies, consultations with workers' representatives and rationalisation of wage structure through job evaluation.
3. Incentive schemes differ from industry to industry and from plant to plant within an industry.
4. Most incentive schemes in operation fall under one or the other of the four classes mentioned by the ILO. But the schemes are fine-tuned to suit the requirements of the organisation.
5. The schemes in public sector plants have an extremely varied coverage, some applying only to day-rated employees while others are being made applicable right upto the top management.
6. Inflation has reduced the motivational effect of incentives. Hence, incentives have to be substantial if workers are to be motivated for higher efficiency and greater output.
7. In many cases, incentives seem to have achieved their objectives, that is increased productivity and enhanced earnings.

Exhibit 12.1 shows the implementation of incentives at Siemens (India).

Exhibit 12.1 ***Incentives at Siemens (India)***

At Siemens, the incentive scheme is exclusively used for shopfloor workers. Every month, the company awards two bonuses to its workers based on performance (introduced in 1964) and productivity (since 1991) criteria. Both the schemes are index-based assessing and rewarding groups rather than individuals.

The company has set a ceiling of 130 per cent for the performance bonus and 120 per cent for the productivity bonus. But no employee is eligible for a bonus if his or her performance and productivity are less than 60 and 75 per cent of the target. Typically, a worker can earn between five and ten per cent of his or her salary as bonus every month.

On the basis of the index, the performance of each group of workers is calculated. For instance, at the 8 per cent level, the worker will be paid, according to the predetermined rates, as per his or her grade. In

order to calculate the indices, Siemens uses ratios between standard manhours (SMH) and actual manhours (AMH).

The performance index is equal to the summation of SMH divided by the summation of AMH – (idle time + learning). Similarly, the productivity index is equal to the summation of SMH divided by the summation of AMH – learning.

In these equations, learning refers to the time taken by a person on a new job to pick up skill. Hence, learning is discounted from AMH. The factor discounted decreases over time as per the learning curve determined by the company.

In order to minimise variations in bonus from one month to another, Siemens calculates incentives on the basis of a two-month weighted average scheme. Thus, the bonus for January will be the weighted average of those of December and January.

Source: Adapted from *Business Today*, Jan. 7–21, 1996.

INSTALLING AN INCENTIVE SCHEME

Installing a scheme of payment by results must proceed on the following lines:

1. Define the objectives of the payment system and, if necessary, challenge the assumptions held about the purpose of the system and how it should operate.
2. Collect facts about the existing system-the pay structure, the types of payment schemes in use, the number of people paid under each arrangement, the levels of earnings in different occupations, and the make-up of earnings, including overtime payment.
3. Analyse the circumstances in which the payment system operates.
4. Compare the existing or proposed arrangement against the criteria for evaluating systems listed above.
5. Analyse the effectiveness of the pay structure and payment systems by:
   (i) Comparing the results achieved with the objectives of the system under such headings as ability to attract and retain staff, effect of productivity, effect on management-employee relationships.
   (ii) Identifying particular problem areas where the system is producing anomalies in pay or earnings between occupations or units, where the requirements of the equal-pay legislation are not met or where rates of pay are not competitive with local going rates.
6. Consider conducting an attitude survey to obtain the views of workers, rate fixers and supervisors about the present system and the changes need to be made.
7. Consult as required with unions and employees on the present arrangements and what needs to be done about them.
8. Conduct pay surveys as required to establish local market rates.
9. Conduct job evaluation studies as required in consultation with unions to establish correct relativities and to provide the basic data for designing a logical pay structure.
10. Develop pilot tests and install any revised or new individual, group or measured day-work payment systems that may be required, in consultation with unions.
11. Revise the pay structure as necessary in the light of the actions taken in Steps 8 and 10 and in consultation with the unions or employee representatives. In a unionised concern, revisions in the pay structure would, of course, have to be negotiated with the unions.
12. Ensure that information is available which will enable the effectiveness of a revised pay system or structure to be monitored.[19]

We wish to conclude this chapter by quoting the experience of the Bangalore operations of the Binny Mills. Here is a mill, where incentive schemes were in operation for a long time. All the evils—wrong rate fixation, collusion between supervisors and employees, defective standards, and lethargy—were associated

with the schemes. The schemes invariably benefited the employees and the supervisors, and the loser was always the mill. Insiders admit that the incentive schemes were the major contributing factor for the downfall of the once prestigious mill in our country. Realisation came to the management, though very late. In 1992, the management scrapped the system.

Review of the operation of the incentive schemes, at least once in 10 years is necessary, if any company or mill were not to repeat the Binny experience. It should be remembered that the incentive payments have the potential to make or mar an organisation.

SUMMARY

Employees are paid incentives in addition to wages and salaries. Incentives are linked to performance. This leads to better motivation among employees. Reduced cost, reduced supervision, reduced scrap and the like are the other benefits of incentives. There are problems, nevertheless. Quality of the products is likely to decline. Introduction of an incentive scheme is difficult, too. Jealousies creep in among workers. Problems associated with incentive schemes may be overcome and the plans may be made to serve their purpose, provided several safeguards are taken. Consultation and co-operation of workers are only examples of such pre-requisites.

ILO classifies incentive schemes into four categories: **(i)** schemes in which earnings vary in proportion to output, **(ii)** schemes where earnings vary proportionately less than output, **(iii)** schemes where earnings vary proportionately more than output, and **(iv)** schemes where earnings differ at different levels of output.

There are incentive schemes for direct workers who work in batches, as well as for indirect workers.

Incentive schemes are highly popular in Indian industries. Schemes that are in operation fall into the classification made by the ILO, but the schemes are fine-tuned to meet individual organisational requirements.

Installation of incentive schemes involves 12 steps. The schemes need to be reviewed every 10 years.

KEY TERMS

Accelerated Premium systems
Barth Variable Sharing Plan
Bedaux scheme
Emerson's Plan
Gantt Task system
Halsey plan
Incentive systems
Merrik Differential plan
Payment by Results
Piece-rate
Piece work
Rowan plan
Standard Hour

REVIEW QUESTIONS

1. Define 'incentives'. Bring out their advantages and limitations.
2. Bring out the prerequisites for the success of incentive payments.
3. Explain the different types of incentive systems.
4. Bring out the steps in the introduction of incentive payments.
5. Bring out the salient features of the incentive schemes followed in Indian industries.

DISCUSSION QUESTIONS

1. Bring out the linkage between incentive and productivity.
2. Debate on the assertion "If selection and placement decisions are done effectively, individual performance should not vary a great deal, therefore, an incentive system is not necessary".
3. Do you believe that an employee's behaviour is always influenced by the rewards expected? Discuss.

Closing Case

On Pegging Pay to Performance

"As you are aware, the Government of India has removed the capping on salaries of directors and has left the matter of their compensation to be decided by shareholders. This is indeed a welcome step," said Samuel Menezes, president, Abhayankar, Ltd., opening the meeting of the managing committee convened to discuss the elements of the company's new pay plan for middle managers.

Abhayankar was an engineering firm with a turnover of Rs 600 crore last year and an employee strength of 1,800. Two years ago, as a sequel to liberalisation at the macroeconomic level, the company had restructured its operations from functional teams to product teams. The change had helped speed up transactional times and reduce systemic inefficiencies, leading to a healthy drive towards performance.

"I think it is only logical that performance should hereafter be linked to pay," continued Menezes. "A scheme in which over 40 per cent of salary will be related to annual profits has been evolved for executives above the vice-president's level and it will be implemented after getting shareholders' approval. As far as the shopfloor staff is concerned, a system of incentive-linked monthly productivity bonus has been in place for years and it serves the purpose of rewarding good work at the assembly line. In any case, a bulk of its salary will have to continue to be governed by good old values like hierarchy, rank, seniority and attendance. But it is the middle management which poses a real dilemma. How does one evaluate its performance? More importantly, how can one ensure that managers are not shortchanged but get what they truly deserve?"

"Our vice-president (HRD), Ravi Narayanan, has now a plan ready in this regard. He has had personal discussions with all the 125 middle managers individually over the last few weeks and the plan is based on their feedback. If there are no major disagreements on the plan, we can put it into effect from next month. Ravi, may I now ask you to take the floor and make your presentation?"

The lights in the conference room dimmed and the screen on the podium lit up. "The plan I am going to unfold," said Narayanan, pointing to the data that surfaced on the screen, "is designed to enhance team-work and provide incentives for constant improvement and excellence among middle-level managers. Briefly, the pay will be split into two components. The first consists of 75 per cent of the original salary and will be determined, as before, by factors of internal equity comprising what Sam referred to as good old values. It will be a fixed component."

"The second component of 25 per cent," he went on, "will be flexible. It will depend on the ability of each product team as a whole to show a minimum of 5 per cent improvement in five areas every month—product quality, cost control, speed of delivery, financial performance of the division to which the product belongs and, finally, compliance with safety and environmental norms. The five areas will have a rating of 30, 25, 20, 15, and 10 per cent respectively.

"This, gentlemen, is the broad premise. The rest is a matter of detail which will be worked out after some finetuning. Any questions?"

As the lights reappeared, Gautam Ghosh, vice-president (R&D), said, "I don't like it. And I will tell you why. Teamwork as a criterion is okay but it also has its pitfalls. The people I take on and develop are good at what they do. Their research skills are individualistic. Why should their pay depend on the

performance of other members of the product team? The new pay plan makes them team players first and scientists next. It does not seem right."

"That is a good one, Gautam," said Narayanan. "Any other questions? I think I will take them all together."

"I have no problems with the scheme and I think it is fine. But just for the sake of argument, let me take Gautam's point further without meaning to pick holes in the plan," said Avinash Sarin, vice-president (sales). "Look at my despatch division. My people there have reduced the shipping time from four hours to one over the last six months. But what have they got? Nothing. Why? Because the other members of the team are not measuring up."

"I think that is a situation which is bound to prevail until everyone falls in line," intervened Vipul Desai, vice-president (finance). "There would always be temporary problems in implementing anything new. The question is whether our long-term objective is right. To the extent that we are trying to promote teamwork, I think we are on the right track. However, I wish to raise a point. There are many external factors which impinge on both individual and collective performance. For instance, the cost of a raw material may suddenly go up in the market affecting product profitability. Why should the concerned product team be penalised for something beyond its control?"

"I have an observation to make too, Ravi," said Menezes, "You would recall the survey conducted by a business fortnightly on 'The ten companies Indian managers fancy most as a working place'. Abhayankar got top billings there. We have been the trendsetters in executive compensation in Indian industry. We have been paying the best. Will your plan ensure that it remains that way?"

As he took the floor again, the dominant thought in Narayanan's mind was that if his plan were to be put into place, Abhayankar would set another new trend in executive compensation.

But how should he see it through?[20]

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CHAPTER 13

Managing Employee Benefits and Services

LEARNING OBJECTIVES

After reading this chapter you should have a good understanding of the:

- Nature of employee benefits and appreciate their role in attracting and retaining competent people
- Different fringe benefits provided to employees and describe the more significant of them
- Principles of fringe benefits
- Different steps in administration of benefits and services
- Future of fringe benefits
- Problems faced by an MNC in administering benefits and services

Employee remuneration (financial) comprises both direct as well as indirect elements. Chapters 11 and 12 dealt with direct remuneration. This chapter is devoted to a discussion of the indirect benefits. Perquisites will be covered as a part of executive remuneration (*see* Chapter 14).

NATURE OF BENEFITS AND SERVICES

Employee benefits and services include any benefits that the employee receives in addition to direct remuneration.

Benefits and services, however, are indirect compensation because they are usually extended as a condition of employment and are not directly related to performance.[1]

Employee benefits and services are alternatively known as fringes, service programmes, employee benefits or hidden payroll.

Employee benefits and services include any benefits that the employee receives in addition to direct remuneration. The synonyms used are fringes, service programmes, employee benefits and hidden payroll.

The word fringe is not appreciated by management practitioners on the ground that nowadays benefits and services constitute substantial labour cost for any organisation. They are no longer mere fringe costs or fringe items. They are important to managements, employees and unions alike.

Similarly, the terms benefits and services are often used interchangeably by some writers. But some maintain distinction between the two. For these people, the term *benefit* applies to those items for which a direct monetary value to the individual employee can be ascertained,

as in the case of pension, medical insurance, or holiday pay. The word *service* applies to such items as a company newspaper, company or purchasing service, for which a direct money value for the individual employee cannot be readily established.[2] However, we have used the two terms interchangeably in the chapter. We also have no objection against the use of the term *fringes*.

WHY BENEFITS AND SERVICES?

Nearly every organisation in our country provides benefits and services to its employees. These fringes continue to grow in their importance. Several reasons account for this trend.

They represent increased earnings to employees. In fact, employees prefer indirect remuneration to direct pay. Any increase in direct pay only adds to one's taxable income. But most benefits are not taxed and hence are advantageous to employees. Furthermore, there are economic reasons why benefits are preferred by employees. Health and life insurance can generally be purchased by the employer at group rates, which are typically lower than those the employees would have to pay.

Employers, too, prefer indirect remuneration to direct pay. Increase in benefits distort salary structures less and are often more easy to explain to shareholders as the social responsibility of the company. Besides, they often involve complex financial arrangements and underwritings so that their true cost may not be discernible by employees or unions.[3]

More than salary structures and financial arrangements, there is a need to attract and retain competent personnel. An employee joins and stays with an organisation which guarantees attractive fringe benefits. Besides, vacations along with holidays and rest breaks help employees mitigate fatigue and enhance productivity during the hours actually employees work. Similarly, retirement, health-care and disability benefits may allow workers to be more productive by freeing them of concerns about medical and retirement costs. So, it is quite accurate to state that indirect remuneration may:

1. Mitigate fatigue,
2. Discourage labour unrest,
3. Satisfy employee objectives,
4. Aid recruitment,
5. Reduce turnover, and
6. Minimise overtime costs.[4]

Fringe benefits help build up a good corporate image. Schemes like housing, educational institutions, and recreational activities bring benefits to the society at large. In the case of some, the benefits are direct. For a religious programme or a sports event or a company school, the company draws its clientele not only from the employees but also from surrounding communities. In others, such as housing, there are indirect gains in terms of reduced pressure on the limited living accommodation and release of public funds for additional housing programmes. All these have wider dimensions than immediate gains to the employees.[5]

Thus, an organisation, with the introduction of fringes, seeks to enhance employee morale, remain cost-effective, and introduce changes without much resistance.

Benefits as Incentives

Do benefits motivate employees? Frederick Herzberg groups benefits along with other factors such as working conditions into the 'hygiene' area—they are needed, and the human appetite for them is limitless. Yet, they do not motivate people to perform better. In Maslow's need structure, benefits may affect the various aspects of 'security' (e.g. individual 'needs to cover hospital costs, retirement, support when

unemployed, or life insurance money for the family's protection in case of death) but little else. In fact, if one views the major dimensions of job satisfaction, such as satisfaction with the supervisor, coworkers, the job itself, pay and work environment, the benefit is seen as entering into little of this and, therefore, may have little effect on the employee.[6]

Fringe benefits may fail in their motivational effect as they are not tied to employee performance but to organisational membership. In addition, most employees perceive benefits and services provided by an organisation as a part of their larger social responsibility actions.

The arguments about motivational effect of benefits and services apart, fringe benefits have come to stay and hence they need proper administration by HR experts.

Demerits of fringe benefits should not be ignored. Fringe benefits, for example, could result in unhealthy competition among employees—work may interfere with the personal likes of employees. They may fail to work if monetary incentives are inadequate, and could demotivate employees if implementation is not transparent.

TYPES OF EMPLOYEE BENEFITS AND SERVICES

Employee benefits and services include a motley crowd of fringes starting from accident compensation plans to paid holidays. To hold that a benefit is a fringe, three criteria need to be fulfilled:[7]

1. It should be computable in terms of money.
2. The amount of benefit is not generally predetermined.
3. No contract, indicating when the sum is payable, should exist.

Going by the three criteria, many items are included in the category of fringes. Table 13.1 contains the list of fringes. It may be stated that the list is only suggestive.

Table 13.1 **Examples of Fringes**

1. *Legally required payments*:
(i) Old age, survivors, disability, and health insurance (commonly known as social security)
(ii) Worker's compensation
(iii) Unemployment compensation
2. *Contingent and deferred benefits*
(i) Pension plans
(ii) Group life insurance
(iii) Group health insurance
(a) Medical expenses (hospitalisation and surgical)
(b) Disability income (short-term and long-term)
(iv) Guaranteed annual wage
(v) Prepaid legal plans
(vi) Military leave and pay
(vii) Jury duty and bereavement paid leave
(viii) Maternity leave
(ix) Child care leave
(x) Sick leave
(xi) Dental benefits
(xii) Tuition aid benefits

(*Contd*)

(*Contd*)

	(xiii) Suggestion awards (xiv) Service awards (xv) Severance pay
3.	*Payments for time not worked* (i) Vacations (ii) Holidays (iii) Voting pay allowances
4.	*Other benefits* (i) Travel allowances (ii) Company car and subsidies (iii) Moving expenses (iv) Uniform and tool expenses (v) Employee meal allowances (vi) Discounts on employer's goods and services (vii) Child care facilities.

Source: Terry L. Leap and Michael D. Crino, *Personnel/Human Resource Management*, Macmillan, 1990, p. 438.

Figure 13.1 illustrates contemporary benefits made available to employees.

The employee benefits are custom made to meet specific country requirements as Exhibit 13.1 indicates.

Exhibit 13.1 ***Global Benefits: Similarities and Differences***

Even before its recent merger with BP, Amoco was already a major multinational firm with operations in dozens of countries. One of the more challenging issues that Amoco's human resource executives have long had to confront, therefore, has been juggling the legal, cultural and social forces dictating and reinforcing the needs for different benefits programmes.

For example, in the United States, Amoco offers insurance, vacation and sick leave, alternative work schedules, childcare centers, employee assistance programmes, and referral services. Indeed, its array of benefits is strong enough for Amoco to be the only oil company on *Working Mother's* list of the best companies for working mothers.

In Egypt, however, Amoco offers some different benefits. Among the more prominent is a one-time Haj pilgrimage allowance (the Haj is the required pilgrimage to Mecca that every Muslim male is required to make once during his life) and two annual subsidized trips to Egyptian resorts. In the Netherlands, the emphasis is on flexibility—Parents can take up to three months of unpaid leave after their child is born, and all employees can opt for part-time employment any time they want, for as long as a year at a time.

Amoco's U.K. employees get much the same benefits as their U.S. counterparts, but they also get five bereavement days per year following the death of a family member and two days a year if they need to move out of their personal residence. In Norway, fathers of newborns get five days of paid leave. In addition, Amoco employees in Norway get perhaps the most unusual benefit of all. Because the country has an especially high marginal tax rate, employees are often looking for benefits that companies can provide tax-free. Those who work for Amoco, therefore, get seven free magazine subscriptions a year—the most allowed under Norwegian law!

Source: Angelo S.DeniSi and Ricky W.Griffin, *Human Resource Management*, p.413.

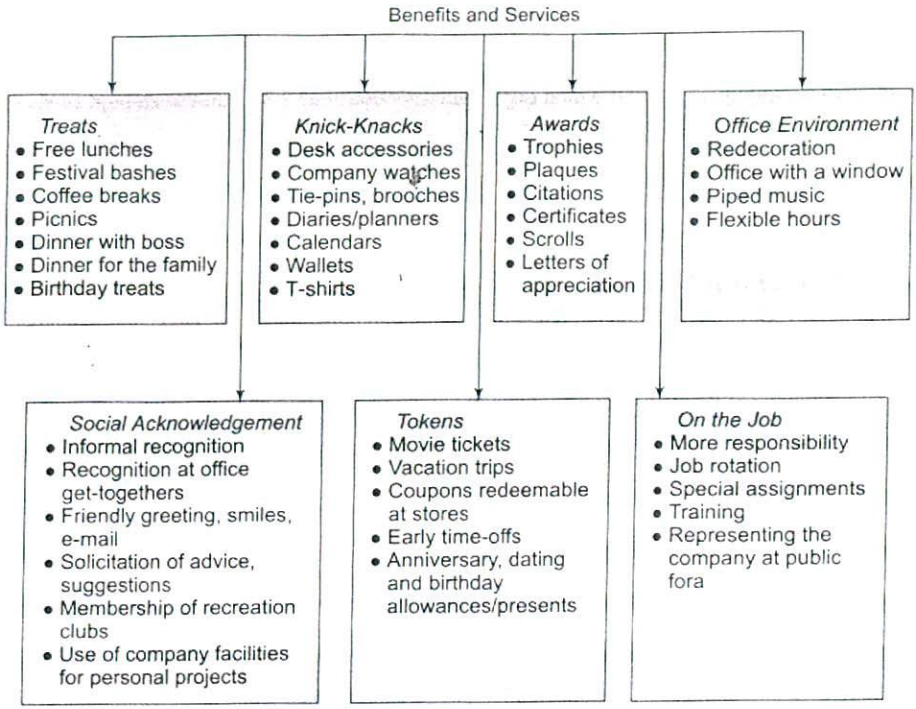


Fig. 13.1 Types of Non-monetary Rewards

Source: *Business Today*, Fourth Anniversary Issue, Jan. 7–21, 1996, p. 267.

PRINCIPLES OF FRINGES

The following principles must govern the administration of fringe benefits:[8]

1. Benefits and services must be provided to the employees on the basis of a genuine interest in the protection and promotion of their well-being. The managements should not feel that the fringes are thrust upon them. Nor should the managements feel that they are providing the benefits as a matter of charity.
2. The benefit must satisfy a real need. Employees resist or are indifferent to any benefit which is not liked by them.
3. The benefit must be cost-effective.
4. The benefit should be as broad-based as possible.
5. Administration of the benefits should be preceded by sound planning.
6. The wishes of employees as expressed by their union representatives and the bargaining power of the union must be considered.
7. Employees should be educated to make use of the benefits.

SIGNIFICANT BENEFIT AND SERVICE PROGRAMMES

As Table 13.1 shows, some organisations provide an amazing range of benefits. The discussion below, however, focuses on major benefits to which organisations contribute a substantial amount of service.

? Pause and Ponder

Pick up five well known companies located in your city/town. Find out the benefits and services offered by them to their employees. Observe commonalities and differences among them.

Payment for Time not Worked

Companies provide payment for time not worked, both on- and off-the-job. On-the-job free time includes lunch periods, rest periods, coffee breaks, wash-up times and get-ready times. Off-the-job time includes vacations, sick leaves, public holidays, and personal or casual leaves.

Insurance Benefits

Organisations offer life and health insurance programmes to their employees. Most organisations offer insurance at a cost far below what individuals would have to pay to buy insurance by themselves.

Compensation Benefits

Disability and workers' compensation benefits are also offered to employees. Employers contribute funds to assist workers who are ill or injured and cannot work owing to occupational injury or ailment. These benefits are regulated by the Workmen's Compensation Act.

Pension Plans

Most organisations offer plans to provide supplementary income to employees after they retire. These are either company-paid or joint employee-and-company-paid programmes meant to supplement social security.

Along with pensions, organisations pay gratuity to employees attaining superannuation. There is, however, a ceiling on gratuity which may not be justified. If an employee has served an organisation for a long time, there is no reason why he or she should be denied the benefit of higher gratuity.

A company's social security, and worker's compensation contributions are set by the law. But how much to contribute for other kinds of benefits is upto each company to decide.

Some organisations contribute more to the cost of these benefits than others do. Some others pay the entire cost, others pay a percentage of the cost of certain benefits, such as health and insurance, and bear the entire cost of others.

Organisations are discovering newer ways of rewarding their employees[9] (*see* Fig. 13.1). Modi Xerox, for example, has instituted an annual Achievement Award, which recognises employee contribution to customer satisfaction, profits, process improvement, or team-spirit improvement through a citation and a cheque of Rs 500 to every team member. In addition, Modi Xerox has an Exceptional Performance Award—with nominations from team, factory and national-level managers—which offers a prize of Rs 3000 per head and a plaque. Moreover, the national winners qualify for the Xerox President's Award which honours a unique contribution to sustained high performance by an individual or a team.

At Colgate-Palmolive, there is a three-level scheme called *you can make a difference* to encourage innovative ideas and entrepreneurial action from employees. Awarded every quarter at the local level and every year at the national level, the top two then compete for global recognition.

Club membership is highly popular. NIIT, for example, has set up a *Managing Director's Quality Club* (MDQC) and more recently, a *President's Club*. Typically, nominations come from all the regions, covering 2200 NIIT employees, and are based on an employee's contribution and performance.

Among the nominations, 15 to 18 are shortlisted by the MD himself. Those shortlisted are expected to work closely with the MD on his total quality programme. It is considered an honour for the shortlisted employees.

On the other hand, the members of the President's Club are noted on the basis of speed and innovation. Once again, the 18 winners work closely with NIIT's president to enrich the organisation. Similarly, Modi Xerox has instituted an *Honours Club*, which recognises outstanding performance. So far, 350 employees from the company have bagged their honours, an all-expenses-paid holiday abroad.

Club membership is available for even non-members but who have stayed with the organisations. For instance, NIIT has an *Old Timers Club* for employees who, have been with the company for five years, and a *Real Old Timers' Club* for those who have completed 10 years. Members of both the clubs receive special recognition along with plaques.

In addition, NIIT has introduced paternity leave for men employees, with the added options of flexi-time employment and an additional Rs 200 conveyance allowance for new parents. The new year day has been designated as 'Granny Gratitude Day' and is a compulsory holiday for all.

Colgate-Palmolive, Modi Xerox and NIIT conduct annual painting contests for their respective employees' children. NIIT uses the award-winning painting for its calendar.

ADMINISTRATION OF BENEFITS AND SERVICES

Organisations fumble while administering employee benefits and services. Yielding to the pressure of unions, employees, demand or in deference to social response trends, companies have added newer benefits and services to the list, which is already lengthy. Organisations have seldom established objectives, systematic plans, and standards to determine the appropriateness of the programmes.[10] This patchwork of benefits and services has caused several problems.

Problems in Administration

The main problem in indirect remuneration is the lack of employee participation. Once a fringe benefit programme is designed by the company, employees have little discretion. For example, the same pension usually is granted to all workers. Younger employees see pensions as distant and largely irrelevant. Older female workers feel that maternity benefits are not needed. The uniformity of benefits fails to recognise a workforce diversity. Admittedly, uniformity leads to administrative and actuarial economies, but when employees receive benefits they neither want nor need, these economies are questionable.[11]

Managers, too, have little interest in the benefits programmes and trade unions are almost hostile to the schemes. Managers are not even aware of the company's policy towards benefits and their contribution to the quality of corporate life. Trade unions entertain a feeling of alienation as the benefits are likely to erode their base.

Since employees have little choice in their benefit packages, most workers are unaware of all the benefits to which they are entitled. This lack of knowledge often causes employees to request for more benefits to meet their needs. For example, older workers may want improved retirement plans, while younger workers seek improved insurance coverage for dependents. The result is often a proliferation of benefits and increased employer costs. And perhaps even worse, employee confusion can lead to complaints and

dissatisfaction about their fringe benefit packages, particularly when employees do not have to contribute financially.[12]

These problems can be avoided if the following lines are taken while administering indirect remuneration. The steps are (*see* Fig. 13.2):

1. Establishing benefit objectives,
2. Assessing environmental factors,
3. Assessing competitiveness: How should our benefits compare to our competitors,
4. Communicating benefit information,
5. Controlling benefit costs and evaluation.

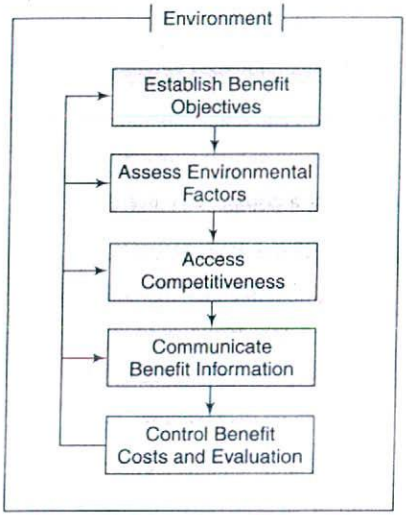


Fig. 13.2 Administration of Fringe Benefits

Establishing Benefit Objectives

It is essential for the management to establish objectives for its benefit programmes. In establishing objectives, the management may consider several factors. One such consideration is employee preference for benefits. Personnel/HR outcomes—attendance, length of service, and performance—should also receive due attention in the objective-setting process.[13]

Typically, benefits accomplish four objectives: **(i)** fostering external competitiveness, **(ii)** increasing cost effectiveness, **(iii)** meeting individual employee' needs and preferences, and **(iv)** complying with legal compulsions.[14] Whatever the objectives, they must reflect the organisation's ability to pay.

Assessing Environment

External as well as internal factors influence a company's indirect remuneration programmes. Among the external factors are included such aspects as government policies and regulations, unions, and economic factors. The major government policies which influence employee benefits and services are wage regulations, tax policies, and specific benefit laws. In addition to government policies, unions are a dominant force to improve benefits and services. When labour unions and the management sit for a wage negotiation,

benefits and services figure prominently in their discussion and the settlement reached invariably covers indirect remuneration to the advantage of the employees. Economic factors influence benefit decisions in conflicting ways. Struggling to achieve competitive prices for their products and services, managers look to reduce, or at least curtail, increases in labour costs. As indirect remuneration constitutes a major chunk of labour costs, benefits and services receive top priority in the cost-reduction drive.

On the other hand, competition in the labour market to attract and retain production employees, creates pressure to match the benefits offered by others.[15]

Organisational strategies and objectives, employee preferences and demographics constitute the internal environment of employee benefits and services. A large, well-established employer in a growing or mature industry, for example, may offer a relatively better benefits package. But a smaller, newly formed, emerging company may find that the high fixed costs attached to many benefits, particularly pensions, entail too great a financial burden. Instead, such organisations emphasise incentive pay or profit sharing, where costs vary with company's profitability and de-emphasise insurance or other fixed-cost benefits.[16]

The preferences and demographics of a particular employee in an organisation also affect indirect remuneration. Most employee benefits are tax free, and hence are likely to appeal to employees with higher incomes. A vast majority of workers may not be attracted by such tax-free benefits. For them, fewer tax advantages exist, or these employees may have more immediate needs which can be met only by cash benefits. Similarly, employees having college-going children or marriageable daughters have different benefit preferences than those who are newly hired with working spouses and children who have not reached the school-going age.

Assessing Competitiveness

More often than not, organisations offer benefits to match or outstrip those offered by competitors. How to ascertain the competitors' benefit packages? These are assessed through market surveys conducted by professional associations and consultants. These surveys provide data on the various benefits offered, their coverage, eligibility and costs. The data allow employers to assess the competitiveness of their benefits and costs, with those offered by others.[17]

Communicating the Benefits

Benefit programmes must be communicated to employees through booklets, brochures, slide presentations, and regular employee meetings. An effective technique is to use employee calendars which communicate the total remuneration components. Each month of the calendar shows a company employee receiving a benefit. For example, one month may feature a photo of an employee building a new home, made possible through the company's savings plan. Another month may feature the usefulness of the company's medical plan.[18]

Communication helps remove ignorance of employees (and of employers too) about indirect remuneration. Further, employers might be able to increase the productivity and the advantages of good employee benefits by making employees aware of what the company does for them, that does not appear on their payslips.

Evaluation and Control

One way of assessing the usefulness of fringes is to ascertain how far the advantages claimed in favour of indirect monetary schemes have really benefited the employees. The questions relevant in this context are: **(i)** Have the earnings of employees improved? **(ii)** Have the benefits been able to attract and retain

competent people? **(iii)** Has the morale of employees gone up? **(iv)** Have industrial relations improved? The answers to these and other related questions help HR managers assess the effectiveness of fringe benefits and also to redefine benefit objectives.

Effect on Costs Cost of fringe benefits is a reliable test of their effectiveness. Employee benefit costs can be computed on the following lines:

1. Total cost of benefits annually for all employees.
2. Cost per employee per year.
3. Percentage to annual payroll.
4. Cost per employee per hour.

Cost-benefit analysis is a reliable tool to evaluate the effectiveness of benefits programme.

The data thus found may be examined in the following manner:[19]

1. Examine the internal cost to the company of all benefits and services by pay roll classification, by profit centre.
2. Compare the company's costs for benefits with external norms. For example, compare its costs, average costs to averages by industry, and so on, for the package as a whole and for each benefit.
3. Prepare a report for the decision-maker, contrasting Steps 1 and 2, and highlighting major variances.
4. Analyse the costs of the programme to employees. Determine what each employee is paying for benefits, totally and by benefit.
5. Compare the data in Step 4 with external survey data.
6. Analyse how satisfied the individual is with the employer's programme as compared to the competitor's programme.

Periodic action on the above lines would not only control benefit costs but would also ensure usefulness of fringe benefits.

THE FUTURE OF FRINGE BENEFITS

Current benefit packages have evolved over the years from plans that addressed the basic needs of the workers and provided minimum benefits to the individuals. Today, we see a much more complex pattern of plans with enhanced flexibility, tailored to meet the needs of individuals and costing public sector and private sector organisations dearly in terms of rupees. Employees in general are more educated, more sophisticated and more demanding of remuneration including fringe benefit. Employers are, therefore, required to devise newer benefit plans to attract and retain competent personnel, keeping a watch on the benefits costs.

Certain guidelines to make benefit programmes more effective are given here.

GUIDELINES TO MAKE BENEFIT PROGRAMMES MORE EFFECTIVE

1. Fringe benefit programmes should be looked at as a worthwhile corporate instrument in HRM.
2. Future policy planning in this area will have to keep in view some fresh reference points. Non-unionisation and skills shortage are no more relevant for policy considerations.
3. Any meaningful package of benefits must reflect some perspective planing. Inflexibility brings stagnation.
4. Separate programmes directly beneficial to workers from those that are directed towards community welfare. Clubbing them together adds to their cost. This may not be liked by workers.
5. It is advisable not to have a facility rather than neglecting it in its administration.

6. Poor internal communication hurts the programme in at least three ways: **(i)** more money is spent for officers' welfare; **(ii)** excess money spent on corporate image building at the cost of more bonus; **(iii)** priority to officers' children in admissions to schools. Therefore, make the internal communication system effective.
7. Devise new ways to involve workers and their representatives at all levels of planning and implementation.

SUMMARY

Fringes refer to all those monetary benefits that the employees receive in addition to direct remuneration. Fringe benefits are popular because they enhance employee earnings, help attract and retain competent personnel, reduce fatigue, minimise overtime costs and discourage labour unrest.

Employee benefits are legion. Irrespective of the types of remuneration, fringe benefits need to be administered satisfying certain principles. Genuine commitment, matching an employee's felt need, cost-effectiveness and sound planning are some such principles.

Administration of fringe benefits must proceed step by step, the steps being: **(i)** establishing benefit objectives; **(ii)** assessing environmental factors, **(iii)** making the benefits competitive; **(iv)** communicating benefits to employees; and **(v)** evaluation and control.

The future of fringe benefits is clear—there will be more and more demand for them and the employers must be prepared to meet the growing demand.

KEY TERMS

Compensation benefits
Fringe benefits
Indirect remuneration
Insurance benefits
Pension plans

REVIEW QUESTIONS

1. Define fringe benefits. Bring out their importance.
2. Bring out the various employee benefits and services. Describe each in brief.
3. Outline the principles of fringe benefits.
4. Explain the various steps in the benefits administration.

DISCUSSION QUESTIONS

1. If you were establishing your own business, which benefits would you be legally required to pay and which would you choose to offer?
2. Should employers provide child care? Care for the elderly? Why?
3. A growing number of employees are reluctant to accept overseas assignments. Why do they refuse? What benefits and services would you offer to them to accept such transfers?
4. If you are asked to create employee awareness about the fringe benefits, what actions would you take without changing the way your company provides such benefits? What additional steps would you take if your company changes the entire benefits programme?

Closing Case

More Benefits Please

"You HR people seem to have no other work", shouted Praveen, the Managing Director of Apex Financial Services. "You keep coming with great ideas on how to spend money. Where is the money? Now get me the hard facts on why we should change our benefits plan?" continued Praveen. He has reasons to lose his cool.

Chetan, the HR manager, felt it was time to review the benefits and hence he mooted the idea before his boss.

Chetan did not expect Praveen to be so intemperate, but he was a bit comforted when Chetan was asked to get back with facts to justify revision of benefits.

Back in his office, Chetan called in Maya, his deputy, for help.

Questions

1. Assume you are a part of the HR team assigned by Chetan and Maya to survey the present range of benefits offered by Apex Financial Services:
   (i) Design the questionnaire to survey:
      (a) Employee perception of the company's present benefits programme,
      (b) The ranking employees give to existing or alternative benefits, and
      (c) Any changes employees want to be introduced to the present programme.
   (ii) Conduct a survey among the employees.
   (iii) Using Maslow's hierarchy of needs, analyse the employee ranking of benefits.
2. Prepare a report for Chetan and Maya on your findings.

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CHAPTER 14

Remunerating the Top Brass

LEARNING OBJECTIVES

After reading this chapter you should have a good understanding of:

- The components of executive remuneration and describe them
- The unique features of executive remuneration
- Arguments for and against payment of higher remuneration to executives
- The issues raised in paying more to managerial personnel

Opening Case

UNDER THE WRAPS

The number of high net worth individuals (HNWIS) in India is growing at a faster pace than anywhere in the world. According to the 2004 World Wealth Report, published by Capgemine and Merill Lynch, the increase in India was 22 per cent, against 12 per cent in China and 14 per cent in the US. (HNWIS are defined as people with financial assets of at least $1 million, excluding real estate.) There were roughly 61,000 HNWIS in India at the end of 2003.

Many of the big earners are in companies, partnerships, brokerages and private firms that don't need to declare their numbers. Finding out details about them is very difficult.

Indians, unlike Americans, do not wear their pay cheques on their sleeves. It is not in their culture to do so. Besides, Indians always have to worry about harassment by the taxmen, a particularly rapacious breed that winks at evaders while hounding the honest citizens.

The place where one can really find highly-paid executives is the finance sector. Perched right on top are the heads of foreign banks. US banks are known to be the most liberal paymasters. Citigroup India CEO Sanjay Nayar gets a package between Rs 4 crore and Rs 4.5 crore. Head of the consumer bank division, Sarvesh Swaroop is close on his heels with Rs 3 crore.

Vishwavir Ahuja, managing director and CEO of Bank of America, earns Rs 2.5–3 crore. This is primarily because a major consideration while fixing compensation for a foreign bank head is how important the region is for the bank's global business. In the case of Bank of America, its Indian operations are a minor part. Standard Chartered Grindlays, on the other hand, is an Asian bank with a vast Indian presence. It pays its CEO Chris Low Rs 4–4.5 crore. Niall Booker of HSBC is in the same league.

European banks are more conservative. The Dutch banks are the most frugal of the lot. Gunit Chadha of Deutsche Bank makes Rs 2 crore (up from Rs 52.8 lakh without perks and benefits at IDBI Bank) and Romesh Sobti, executive V-P and country representative of ABN Amro receives Rs 2–2.5 cr.

Indian banks such as HDFC and ICICI pay much less. Aditya Puri of HDFC Bank gets Rs 69 lakh and K.V. Kamath of ICICI receives Rs 1.15 crore. The really down-market are the public sector banks. State Bank of India Chairman A.K. Purwar earned Rs 5 lakh in 2003–04. PSU banks give perks that are rarely quantified at real value.

It also pays to be in investment banking. The Vice-Presidents and Senior Vice-Presidents of the top investment banks receive base salaries of Rs 30–50 lakh. At the top, the base salaries are much more and the bonuses could run into crores. Citigroup investment banking MD, Brian Brown has a package of Rs 3.5 crore. DSP Merrill Lynch pays the highest, followed by IM Morgan and Kotak Mahindra. Rajiv Gupta, who heads the M & A division at DSP, earns around Rs 1.5 crore, whereas Ajay Sondhi, the Vice-Chairman of Kotak Mahindra, who heads the investment banking division earns a base salary of Rs 1 crore and a bonus of around Rs 50–75 lakh in an average year.

Private equity is another happy hunting ground for the big earners. The top rung in firms like Warburg Pincus, General Atlantic and Chris Capital can receive anywhere between $700,000 and $800,000. But a large part of their salary is derived from the carry, an amount calculated on the performance of the fund. "When a fund closes, if it gives back say Rs 10 crore on Rs 10 crore, then the private equity guys get to keep Rs 2 crore," says a headhunter. Pulak Prasad and Rajesh Khanna of Warburg Pincus, which has around $1 billion invested in India, are right there on top.

Brokerage services are also in the money during good times. The top paymasters are DSP Merill Lynch, JM Morgan Stanley and HSBC. Close behind them are Enam and SSKI. With variable pay the final package could vary between a few lakhs and a few crores.

Away from finance, the management consultancies pay their top people anywhere between $300,000 and $500,000. The difference with investment bankers is that their base salary is much higher—some 80 per cent. In India, McKinsey and Boston Consulting Group are considered the most prestigious and highest-paying firms. At McKinsey, the first seven years is on Indian salaries. After that, if you make it as a director, the figure goes up close to international norms—Rs 5 crore.

Accenture, Pricewaterhouse Coopers, KPMG and Deloitte are next in line. But, overall, compensation in Indian arms of most consultancy outfits is far behind Hong Kong or Singapore.

Advertising is another area where there is cornucopia at the top. Anil Kapoor of FCB Ulka, Prem Mehta of Lowe and Mike Khanna of JW Thompson make Rs 1–1.5 crore. These figures do not include stock options.

Apart from these three bigwigs of advertising, the industry also has 40–50 people who fall in the Rs 50 lakh–Rs 1 crore bracket. This includes Piyush Pandey, Ishaan Raina, Ashok Kurien and Nishi Suri. Creative heads of advertising firms earn more than their client-servicing counterparts.

At FMCG multinationals, there is a lot of hype, but emoluments aren't apparently that hot. The heads of Coke and Pepsi—Sanjiv Gupta and Rajiv Bakshi respectively—don't make much more than Rs 1.5 crore each, though Coke is a better paymaster than its rival in India.

In the entertainment realm, Kunal Das Gupta, CEO of Sony Television, makes about Rs 1.5 crore and Peter Mukerjea at Star is somewhat higher at Rs 1.5-1.75 crore. The rumour about television journalists—particularly anchors—being very well paid is largely a myth. Some people do get a lot of money, but that's for other services rendered to the promoters.

Among nascent sectors, business process outsourcing (BPO), insurance and telecom are emerging as attractive employers. At companies like GE, WNS and Dell, the people heading the BPO departments have packages of more than Rs 1 crore.

The heads of the top insurance firms such as Birla Sunlife, ICICI Prudential and Tata AIG are paid in the Rs 50–70 lakh bracket. Of course, there are exceptions like Anuroop Singh heading Max New York Life, Shikha Sharma from ICICI and Sunil Mehta from AIG, who earn in crores.

Telecom too has become a high-paying sector. In the past two years, both Bharti and Reliance Infocomm have hired large numbers in the Rs 50 lakh plus range. Hutch and BPL are not far behind, though Hutch

pays more. Hutch head Asim Ghosh gets Rs 2.5 crore. Just below them, the circle heads at Hutch receive Rs 65 lakh as compared to Rs 35 lakh at BPL. And if the circle is large, as in Mumbai and Delhi, then the head at Hutch receives Rs 80 lakh.[1]

As the economy shifts gear every few years and the talent market goes through fundamental changes, the executive compensation landscape also takes on new contours. Such a tectonic shift is happening now. With the economy growing at a rapid 9 per cent, with forecasts of continued buoyancy, there is a shortage of talent to service the expanding market. Further, with India being the focus of the world, capital and talent are flowing to the country like never before. Beyond these two key factors, there are a host of other issues which are ensuring that companies are rolling out the red carpet to attract and retain the best of the best employees.

At a surface level, these changes are being reflected in the compensation patterns. Consider the number of senior managers in India Inc. who earn Rs.1 crore and above have sharply increased. Till recently, the *crorepatis* used to be largely CEOs of multinationals and family business. Today, this club has enlarged to a rung below the CEOs to include senior executives from unlisted companies, including the big international firms, management consultancies and foreign banks, investment bankers and unlisted retail billionaires. Some estimates also suggest that the top salaries in hot sectors like retail and management consulting today would be a cool Rs.4 to Rs.6 crore per annum. The other big trend is that now there are several *crorepati* earners in a single company. Groups like Reliance, Bharti, Hero Honda and L&T boast this billing. Finally, family business heads like Mukesh Ambani, Brijmohan Lall Munjal of the Hero Group and a few others continue to command top dollars.

However, beyond these, there are far deeper changes that are happening in corporate India. According to Hewitt's salary increase study for Asia Pacific in 2005-06, Indian salaries as a whole grew faster than other countries in the Asia Pacific. The highest increase in the region was in India where salaries zoomed across the board by 13.9 per cent in 2005.[2]

Executive remuneration has assumed considerable importance in recent years. Salaries and perks paid to highest decision-makers in organisations are skyrocketing, and this sudden spurt in managerial remuneration is the result of economic deregulation and the consequent entry of MNCs into the country. This chapter is devoted to a detailed discussion of three aspects—**(i)** What and how much are the executives paid? **(ii)** Why are they paid hefty remuneration? **(iii)** What issues are involved in payment of higher remuneration?

COMPONENTS OF REMUNERATION

For the purpose of remuneration, an executive is considered to be an individual who is in a management position at the highest levels. Specifically, this category includes presidents, vice-presidents, managing directors and general managers. Their remuneration generally comprises five elements. They are:

1. Salary
2. Bonus
3. Commission
4. Long-term incentives
5. Perquisites (perks) (*See* Fig. 14.1)

Salary

Salary is the first component of executive remuneration. Salary is supposed to be determined through job evaluation and serves as the basis for other types of benefits. But job evaluation may be only a partial solution because executives must be paid for their capabilities—for what they can do—rather than for job demands. This is the reason why norms of wage and salary fixation are generally not observed while fixing salaries for executives.

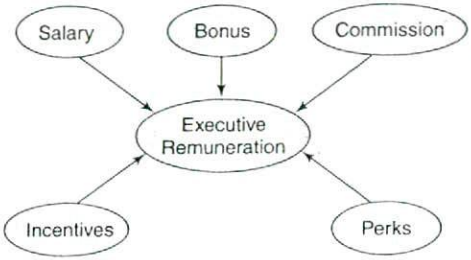


Fig. 14.1 Components of Executive Remuneration

Salary as a component of total remuneration is not significant as it is subject to deductions at source and is also capped by government regulations. In order to make good the cuts and ceilings, executives are offered hefty incentives and attractive perks. (See Table 14.1.)

Table 14.1 **Role of Salary and Commission in Total Remuneration**

Company	*Salary*	*Commission*	*Perks*	*HRA/PF*	*Total (Rs in crore)*
RIL	0.60	23.44	0.48	—	24.52
Tata Steel	0.62	1.20	0.37	—	2.20
L&T	0.60	2.42	0.15	0.81	3.98
Tata Motors	0.32	1.10	0.18	0.87	1.69
Bharti Airtel	5.17	7.50	—	—	12.67
ICICI	0.98	0.52	0.70	0.26	2.47

(*Source: Business Today*, July 1, 2007)

Bonus

Bonus plays an important role in today's competitive executive payment programmes. This type of incentive is usually short-term (annual) and is based on performance. For this reason, the definition of performance is crucial.

There are almost as many bonus systems as there are companies using this form of executive remuneration. In some systems, the annual bonus is tied by the formulae to the share price or the return on investment. Other bonus plans are based on the subjective judgement of the board of directors and the chief executive officer. More complex systems establish certain targets, for example, a 10 per cent increase in corporate earnings from the previous year, and then a bonus pool after the target is attained. The bonus is then distributed, either in accordance with a preset formula or on the basis of subjective judgements. Executives deserve bonus because they have much more opportunity to influence organisational success than non-managerial staff.

Commission

Some companies pay commission to their executives and going by the figures, commission constitutes a major share in executive remuneration. According to the Companies Act, an undertaking may pay around 11

per cent of its profits as commission. The actual break up in each case is to be decided by the board of directors or the remuneration committee and needs to be approved by the AGM.

Commission is paid to executives as a percentage on profits. Commission is common in private sector. Public sector firms do not pay commission.

The CMD of Raymond received a total remuneration of Rs 1.98 crore in 2003, of which commission was of Rs 1.4 crore—70.54 per cent. At Crompton Greaves two non-executive directors received commission of Rs 32.85 lakh each in the same year. Kumar Mangalam Birla of the Aditya Group received a commission of Rs 1.02 crore. At Lupin, Chairman Degh Bandu Gupta took home a commission of Rs 1.31 crore during the fiscal 2003–04. At Rolta, CMD Kamal Singh had received a handsome commission of Rs 4 crore.

Public sector companies generally do not pay commission. At ONGC, for instance, Chairman Subir Raha's salary in 2002–03 was Rs 6.98 lakh. At IOC, Chairman M.S. Ramachandran received Rs 10.69 lakh in 2002–03. Directors are entitled to a performance linked bonus. At BHEL, six full time directors received such an incentive of Rs 13,525 each during 2002–03. (See Table 14.1.)

Long-term Incentives

If bonus constitutes a short-term benefit, stock options are long-term benefits offered to executives. Companies allow executives to purchase their shares at fixed prices. Stock options are valuable as long as the price of share keeps increasing. The share price crashes when the company starts incurring loss, and executives stand to lose in the process.

Stock options are attractive to shareholders too. *First,* an option is not a bonus. Executives must use their own resources to exercise their right to purchase the stock. *Second,* the executives are assuming the same risk as all other shareholders, namely, that the price could move in either direction. Options are a form of profit sharing that links the executive's financial success to that of the shareholders. *Finally,* stock options are one of the few ways to offer large rewards to executives without the embarrassment of "millions of dollars of obvious money changing hands."[3] Nevertheless, the risk factor in this type of incentive may be too great for it to be attractive to executives.(*see* Exhibit 14.1).

? Pause and Ponder

A Bangalore based software company was the first to introduce ESOPs in India. Can you name the company? Can you also ascertain the number of companies in India offering ESOPs? Try.

Exhibit 14.1 *ESOP—Again!*

It was 2000. Stockmarkets were booming and so were the Employee Stock Option Plans (ESOP). Many ordinary Indians became rich overnight. Bharti Televentures, for instance, created 160 millionaires. It was during this time that the driver of N.R. Narayana Murthy, Chief of Infosys was worth Rs 4 crore. Several employees of TCS became millionaires with the shares they got from the company.

However, around 2001, ESOP started losing their sheen. Now with the Indian stock market once again in fine fettle, ESOP are worming their way into the limelight. ESOP are generating debates in annual general body meetings too. In July 2004, shareholders of ACC raised the issue of ESOP in its general body meeting. The contentious issue was that the employees of ACC were becoming richer (through ESOP) than shareholders who were required to be content with only dividend.

ESOP in India are being regulated by the Securities Exchange Board of India (SEBI). The first guidelines were issued by SEBI in 1999. The latest norms were circulated in July 2004. The amended guidelines, among others, were:

- Redefine market price as the latest available closing price, on the stock exchange(s), prior to the date of the meeting of the company board in which options are granted or shares are issued.
- Specify that if the shares are listed on more than one stock exchange, the exchange on which there is highest trading volume on the said date be considered.
- Stipulate that the company appoint a registered merchant banker for implementation of the ESOP/ ESPS till the stage of framing the ESOP/ESPS and obtaining in-principle approval from the stock exchange(s).
- Require that in case these schemes are administered through a trust, the accounts of the company be prepared as if the company itself is administering the ESOP/ESPS.

There are several variations in ESOP—employee stock option scheme (ESOS),employee share purchase scheme (ESPS), stock appreciation rights (SARS) and sweat equity.

- **ESOS** Under SEBI regulation, an ESOS involves granting an employee the option to acquire the shares of a company at a predetermined (exercise) price. An option is a right and not an obligation. The exercise price may be at prevailing market rates, at a discount, or at a premium. There is usually a short vesting period, which may be a single period or a series of periods. For example, an employee may be granted 300 options such that all the options are vested at the end of three years, or such that lots of 100 options are vested at intervals of one year each. Companies sometimes provide employees loans to purchase the shares and often there is a lock-in period.
- **ESPS** In an ESPS, these shares are directly allotted to an employee at the time of a public issue. The allotment of shares may be at the prevailing market price or at a discounted price.
- **SARS** Under an SARS, a certain number of shares are allotted to the employee. After the vesting period, the employee is free to exercise his option, and if the value of the shares has appreciated he is given shares or cash worth this appreciated value. If he is allotted shares equivalent to the appreciated value, he can sell them after a lock-in period. The advantage of SARS is that it is a cashless transaction for the employee.
- **Sweat equity** Sweat equity refers to equity shares issued by a company to employees or directors at a discount, or for a consideration other than cash. The essential difference between sweat equity and a share purchase scheme, like the one TCS is offering, is that sweat equity is given for providing knowhow or some sort of value-addition, whereas the share purchase scheme is a scheme to reward or retain an employee. Moreover, sweat equity can also be issued to promoters, which an ESPS does not allow.

Having originated in the US in 1960s, ESOP has travelled a long way. Several blue chip companies, particularly dot com and software firms, allow their employees to buy shares.

Source: *Business India*, September 12, 2004.

Perquisites

Perks constitute a major source of income for executives. In addition to the normally allowed perks like provident fund, gratuity and the like, executives enjoy special parking, plush office, vacation travel, membership in clubs and well-furnished houses. Perks take care of all possible needs. Executives are rarely required to spend money from their pockets. Their holidays, servants, telephone bills and even electricity and gas bills are taken care of by their companies. A manager in Kolkata tried to reimburse himself for his father's funeral expenses by debiting the amount to packaging and despatch.[4]

Typically, perks to executives include the following.[4a] But the list is not exhaustive.

- A company provided car
- Accessible, no cost parking

- Limousine service, the chauffeur may also serve as a bodyguard
- Kidnapping and ransom protection
- Counselling service, including financial and legal services
- Professional meetings and conferences
- Spouse travel
- Use of company plane and yacht
- Home entertainment allowance
- Special living accommodations away from home
- Club memberships
- Special dining privileges
- Season tickets to entertainment events
- Special relocation expenses
- Use of company credit cards
- Medical expense reimbursement; coverage for all medical costs
- Reimbursement for children's college expenses
- No- and low-interest loans.

EXTENT OF PAY

Theoretically, remuneration of managerial personnel is supposed to be guided by job descriptions, job evaluations, salary grades with ranges of pay in each grade, and salary surveys. But in practice, the norms seem to have been thrown to winds and exorbitant amounts are paid to decision makers in organisations.

Table 14.2 gives details about the top 10 executives' remuneration in India during 2006. Mukesh Ambani stands first with Rs 24.51 cr, followed by Jindal (Rs 13.54 cr.) and Munjal (Rs 13.51 cr.).

Table 14.2 **Remuneration of Top Executives**

Name	*Designation/Company*	*Pay in 2006 (Rs.Cr.)*
Mukesh D. Ambani	CMD, Reliance Industries	24.51
Naveen Jindal	VC and MD, Jindal Steel	13.54
Brijmohan Lall Munjal	Chairman, Hero Honda Motor	13.51
Pawan Munjal	MD, Hero Honda Motor	13.17
Kalanithi Maran	CMD, Sun TV	10.26
Atul J. Agarwal	Joint MD, Mercator Lines	10.07
Harishkumar Mittal	CMD, Mercator Lines	10.07
Pankaj R. Patel	CMD, Cadila Health	9.93
Sunil Bharti Mittal	CMD, Bharti Airtel	9.80

(***Source:*** *Business World*, Feb. 5, 2007)

Executives in India had never had it so good so far. The Indian economy is booming. The GDP as stated earlier, is growing at over 9 per cent. The BSE Sensex has claimed over 14,000 points and corporate profits are soaring. The robust mood is getting reflected in what is paid to executives. In the first half of 2006

alone, wage bill of (of more than 3000 listed companies) corporate sector rose by Rs.10,710 cr. This is 22 per cent more than the salaries paid during similar period a year before.

It presents an awesome picture if one takes a look at executive remuneration elsewhere. Bill Gates of US is about to receive a first ever dividend of $75 billion—over a four year period, averaging about Rs 10,000 crore per year. With this payout, the Microsoft chief will be richer by $8 billion.

Certain broad generalisations can be made with respect to executive remuneration in Indian industries:

1. Norms of wage and salary fixation such as job description, job evaluation, grades of pay and wage parities are generally ignored. What an executive receives, depends on employer's ability and employee's bargaining strength.
2. Salaries and perks of executives are subject to annual reviews and hikes, unlike the remuneration of employees which is reviewed once in three years.
3. As the ABC Consultants' study reveals, executives are offered 'composite' salaries instead of 'menu' salaries. The latter refers to a package of items, numbering nearly hundred, from which the CEO is asked to choose.
4. There is a tendency to link salaries to performance. HCL, Titan and many others are reported to link salaries to performance.
5. Holidaying abroad is gaining increasing acceptance. In a year, a typical executive works 10 months on his/her job, holidays one month abroad with his family, and attends training classes in the remaining one month.
6. For executives posted abroad, relatively higher salaries are paid during their foreign assignments. Once they are back in India, the same executives are paid less to maintain parity with those working in the home office. Ranbaxy reportedly follows this practice.
7. Competition among companies to attract competent personnel is resulting in a virtual hijacking of managerial personnel. Pepsi did it and took away quite a few executives from HUL and Nestle. Kelloggs and Coke did the same to Pepsi. Executives in the public sector stand nowhere in comparison to their counterparts in the private sector in respect of salaries and perks. There has, therefore, been an exodus of executives from government-owned organisations to private sector enterprises. SAIL alone has lost 50 of its top brass to Mukand, Essar and TISCO. Several of BEL executives quit and joined BPL. SBI, too, lost quite a few of its general managers in favour of financial services in the private sector.
8. Several executives have become millionaires as the opening case tells.
9. Executives are denied the privilege of having unionised strength. They cannot demand for higher salaries and perks, hoist red flags on factory gates, shout slogans, pelt stones, and burn buses. It is the workers who resort to all these and if they succeed in their efforts, executives too benefit. Put in another way, executives often prompt workers to go on a strike.
10. Secrecy is maintained in respect of executive remuneration. What A receives is not made known to B and what B gets, C cannot know. Secrecy is maintained because no two executives in the private sector, in the same grade, receive the same pay. Remuneration depends upon such factors as competence, length of service and loyalty to the founders.

JUSTIFICATION FOR PAYING MORE

One reason is that the executives have intrinsic worth and hence command hefty premiums. Managerial personnel matter much in organisations. Organisations are often positioned after great personalities. The

legendary Lee Iacocca of Chrysler is a well-known example. Nearer home, TISCO was synonymous with Russy Mody and Escorts with H.P. Nanda. Bajaj Auto depends on Rahul Bajaj and Wipro on Azim Premji. Positioning organisations after individuals is more visible in service organisations, as for example, Subhash Chandra of Zee Telefilms. Iacocca, Premji, Bajaj, and their ilk are colossuses excelling in technical ingenuity, financial wizardry, marketing brilliance and sheer charisma. Organisations have grown into veritable empires under their stewardships. Such growth has benefited all stakeholders, particularly the shareholders. It is everybody's knowledge that some of them who had invested a few thousands of their savings in equities of Wipro, Infosys, Reliance, HUL or TISCO, have become millionaires, thanks to increased market capitalisation. Obviously, the executives who have made the organisations successful deserve high salary sweepstakes.

High remuneration to executives is justified because—
(i) they matter much in organisations
(ii) they are in short supply
(iii) retaining them is difficult
(iv) they need to be motivated
(v) if executives elsewhere are paid more, why not Indian executives

Second, this category of people is always in short supply. Our country boasts of having a huge army of scientists and technicians, but it is short of competent managers. As against the shortage, the demand for executives is overgrowing. A study reveals that in 2000 alone, India required 20,000 new managers across various sectors of the industry. In addition, we will require 7000 additional specialised managers for computer software and around 3000 finance and money managers.' Added to this is the demand for our managers across borders. Our young breed of MBAs and software specialists are much sought after in Singapore, Hongkong, the US and all over. It is a problem of demand outstripping supply. Economics tells us, that other things being equal, price shall be high when demand exceeds supply. One must pay heavily if one has to attract talented and competent individuals. Obviously, one should pay more to talented executives.

Third, retaining high-calibre personnel is more difficult than attracting them. The management must throw norms of wage and salary administration to winds, and pay the executives well. Their remuneration must be reviewed annually and frequent salary hikes should be made. Otherwise, there will be a flight of people and there are always opponents to hijack them.

Fourth, having succeeded in retaining them, the managers must be motivated for better performance. There might be several theories on motivation but coming to their essence, it is money and more money which motivates employees, and executives are no exception.

Motivated executives are in an advantageous position to inspire others in organisations. A leader who is crest-fallen can hardly activate followers to action.

Fifth, salaries and benefits enjoyed by executives across the globe are beyond anybody's comprehension why not Indian executives. The highest paid executive in 2006 was Mukesh Ambani with $ 5.55 million. His counterpart in the US, Terry S. Semel, grossed $ 230.55 million in the same year.

MNCs pay attractive remuneration to their executives, be they home-country or host-country nationals. The Indian chiefs of Pepsi and Coke, for example, are paid identical scales like their counterparts in the US or elsewhere. If executives of Pepsi and Coke in India get paid so well, why not their equivalents in Indian businesses? We talk of globalising trade, technology, and managerial practices, why not executive salaries? Why not salaries of all employees?

Sixth, 'The Third Wave' that is sweeping across the world compels disproportionately high remuneration to be paid to knowledgeable personnel. According to Alvin Toffler, the First Wave wafted with the rise and dominance of agriculture in several parts of the world, a period that lasted from 8000 BC to AD 1650–1750.

The rise of industrial societies signalled the beginning of the Second Wave, which reached a peak in the mid-1950s, according to Toffler. The Third Wave, presently being witnessed, is exemplified by the dominance of high-tech, knowledge-based, information-tied and service-oriented businesses. These organisations need the services of individuals who have good brain power. Not for nothing, business strategists, accountants, computer programmers, news editors, and doctors are paid high salaries and benefits.

Seventh, expectations of people, in general, have gone up, thanks to the electronic media. An average middle-income family of father, mother, son and daughter needs many more things than what their forefathers could even dream of. A range of white goods, once considered a luxury, has now become a necessity. Each family member needs a separate wardrobe, bank balance, electronic gadgets, vehicle and a host of other items. Each of these costs dearly. If this is the life style of a middle income family, how about an executive? Surely, he or she has to lead a life which fits his or her status and job.

Eighth, an executive's salary and perks are not the same as the wage of the worker. To the worker, the wage is a means to a living. For the executive, financial reward may be a symbol of social prestige and social/class position. The executive who drives himself or herself to success in his or her role is creating the means by which certain community goals can be achieved. The financial reward is also a symbol of the executive role itself, its power, its dignity and its freedom. In this connection, it is not the absolute amount of financial reward that is important as a generalised goal, but the superiority of executive remuneration relative to all other roles in the plant.[5]

Finally, there is a compelling reason why executives must be paid more. It is to eliminate or, at least, minimise corruption. An executive of a state enterprise swindled around Rs 25 lakh by charging electricity bill of the company's canteen to the company's account. But, the canteen is sub-contracted and one of the terms is that the electricity bill is to be borne by the canteen contractor himself. One of the directors of the same company siphoned off a crore of rupees through a fraud in imports. The workers of the company took the law into their hands—they caught the director, beat him black and blue, and made a bonfire of his car, all inside the plant. The once famous Karnataka Soaps and Detergents (KS & DL) was till recently, reduced to near bankruptcy, due to embezzling by the top-level officers.

The best way of satisfying human greed in the present context is to pay well. Does the avarice catch only executives? No, it is a universal weakness. But workers have lesser access to vital documents, have no contacts with outside parties and are unable to connive with security personnel. Assuming that the workers too resort to shortcuts, the damage caused to the organisation is less severe.

RELEVANT ISSUES IN EXECUTIVE REMUNERATION

Several issues crop up in the context of remuneration provided to the highest decision-makers in organisations. The first question relates to the worth of an executive. Is the chief executive of Hero Honda, for example, worth Rs 13.51 crore per annum? Rs 3 lakh per day? Rs 37,500 per working hour? Surely, there are many number of employees in an organisation whose competency is no less significant but their remuneration is in no way near to that of a managing director or a general manager. Take the case of Banwarilal Choukse, a matriculate turner in BHEL, who gets only a worker's pay scale. Choukse's contribution to BHEL is no less significant—he has offered 117 suggestions to improve productivity, safety, quality and foreign-exchange earnings.[6]

Assuming that an executive is worth that much, the success of an organisation does not depend only on one individual (though failure does). The healthy bottomline of an organisation is the result of combined efforts of technicians, scientists, financial wizards, marketing experts, HR specialists, canteen staff, sweepers, drivers and a host of others. If it were not so, TISCO should not have survived after the exit of Russi Mody, SAIL after V. Krishnamurthy and HUL after T. Thomas. Obviously, the CEOs alone should not be given all the credit for healthy bottomlines.

If there is one individual who really deserves applause and handsome rewards, it is the founder of the organisation. In the initial stages, this gentleman sheds his blood for the organisation. When banks refuse to sanction additional loans, he pledges family assets to raise money for buying raw materials and paying salaries to employees. He spends sleepless nights devising strategies to market his products, to tackle labour

militancy and to satisfy government agencies. It is a struggle and a challenge all the way till the unit starts doing well. He then needs a deputy to assist in managing the business. The executive demands 100 times more than what the founder had been drawing all along. Such demands naturally defy logic.

Yet another issue relates to the gap between the pay drawn by an executive and the wages paid to a worker. While the CEO of Hero Honda Motors gets paid Rs 37,500 per hour, a worker gets Rs 25 per hour—a difference of more than 1500 times.

Huge disparities in incomes are often dysfunctional. Disparities in pay increase the probability of top executives getting alienated from front-line employees. It creates a psychological distance and also a life-style disparity. That is why executives at various levels sometimes tend to feel out of touch and uncomfortable while dealing with front-line employees.

One of the popular arguments in favour of hefty pay scales to executives is their motivation. They should be paid more to put in better performance. Looking at the flip side, money ceases to be the motivator beyond a certain point. One must have a house, vehicle, bank deposits, insurance policies and good education for children. And money induces an individual to acquire and enjoy these. Beyond this, money becomes irrelevant and often makes people extravagant and wasteful. Children are the worst affected by this kind of affluence. Then there is the constant fear of raids by tax authorities. Surplus money therefore results in needless tension.

Assuming that money motivates, these high-flying executives hardly stick to one organisation. A few thousands more offered by a rival company will induce them to put in their papers. Majority of managerial personnel are known for organisational rootlessness; gratitude and loyalty are words of the past.

Finally, there is the question of equity. When hundreds of people are languishing in the unorganised sector, it may be unethical to pay huge salaries and perks to select élites in the society. The hapless employees work hard for eight to ten hours a day but get paid a paltry sum of Rs 500 to Rs 600 per month each. Added to this is the endless uncertainty of tenure. A lecturer with a doctoral degree slogs in a college for a mere Rs 4000 per month and stays eternally 'temporary' on his or her job. An MBA demands an entry level pay of Rs 60 lakh per annum whereas the professor who trains the MBAs takes 25 years of continuous service to earn a monthly salary of Rs 30,000.

REMEDIALS

Action on the following lines may partly answer the issues raised with regard to high managerial remuneration:

1. Income beyond a certain limit must be subject to higher taxation. Statutory guidelines governing executive remuneration are now liberal. Payment beyond specified limits needs the prior approval of the government. And the government does not generally deny approval.
2. Executives, on their own, must take up more and more socially responsive actions such as adopting and uplifting villages, sustaining ecology, caring for the hungry and the homeless, supporting a cause, sponsoring cultural programmes, contributing to education, and the like. Such actions will make the business and its executives more acceptable to the society.
3. Conscious efforts must be made to increase the supply of managers and technicians. There is, therefore, greater need for starting more colleges and institutes to train young MBAs, BEs and other technicians.
4. Participative management needs to be encouraged. Employees must be offered stock option schemes and be encouraged to become owners of the undertakings for which they serve as workers, clerks, and supervisors.

The concept of corporate governance is highly helpful in resolving the issues. The Kumaramangalam Birla Committee on Corporate Governance recommends the formation of a 'remuneration committee' which will determine, on behalf of shareholders, the remuneration to be provided to executives. With this, a sense of equity will prevail in executive remuneration.

Following the recommendation of the Kumaramangalam Birla Committee, only some companies have constituted remuneration committees. Such companies are Asian Paints, Lupin, Bajaj and Rico Auto. As pointed out by the N R Narayana Murthy panel on corporate governance, most companies have been tardy on the issue of setting up remuneration committees.

There are also other safeguards like the Board of Directors and AGMs which need to okay salary increases of chief executives.

SUMMARY

Executive remuneration comprises salaries, bonus, commission stock options and perks. Perks generally outstrip other elements in the package of remuneration.

Executive remuneration differs from wages and salaries paid to other employees. A major chunk of the salaries of managerial personnel is taken away by taxes. Executives are denied the privilege of enjoying unionised strength, though they stand to gain when workers go on strike and succeed. Secrecy is maintained in respect of salaries and perks paid to executives.

Certain generalisations can be made in respect of executive remuneration in our country. First, norms of wage and salary administration are observed only in part; salaries and perks are subject to annual reviews; 'composite' salaries are gaining acceptability; salaries are sought to be linked to performance; rat race exists among rival firms to attract talented individuals; and there is large-scale migration of senior managers from public sector units to those in the private sector.

There are several reasons why executives are paid more. They are worth lakhs of rupees in terms of talent and brain power. They need to be attracted, retained and motivated, and their greed must be satisfied so that they can adopt honest business practices.

Certain social and ethical issues are relevant in this context. First, high remuneration seems to be merely a hype disregarding individual intrinsic worth. Second, executives alone are not responsible for an organisation's healthy bottomline. Third, there must be some parity between salaries of an executive and wages of a worker. Finally, higher salaries and perks do not guarantee motivation.

More and more socially responsive actions, stiffer income taxation, increasing supply of managers and technicians and encouraging employees to become owners of enterprises are the answers to the issues raised.

KEY TERMS

Composite salaries
Executive remuneration
Menu salaries
Perks
Performance-linked salaries
Sign-on bonus
Stock option

REVIEW QUESTIONS

1. Justify the high remuneration paid to executives.
2. Bring out the differences between executive remuneration and wages of workers.

3. Describe the components of executive remuneration.
4. Bring out the ethical and social issues connected with executive remuneration.

DISCUSSION QUESTIONS

1. Do you think that Indian executives are overpaid? Discuss.
2. What action can the government take when companies violate statutory guidelines relating to executive remuneration?
3. What is the role of a HR manager in administering remuneration to executives?

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SECTION 4

List of Chapters

15. Motivation Perspectives
16. Motivation in Action
17. Empowering Employees
18. Communicating with Employees

CHAPTER 15

Motivation Perspectives

LEARNING OBJECTIVES

After reading this chapter you should have a good understanding of:

- The nature of motivation and draw a model which helps us know the motivation process better
- The importance of motivation
- The various theories of motivation—the theories being broadly categorised into early theories and contemporary theories

Opening Case

YOU'VE GOT TO FIND WHAT YOU LOVE

I am honored to be with you today at your commencement from one of the finest universities in the world. I never graduated from college. Truth be told, this is the closest I've ever gotten to a college graduation. Today I want to tell you three stories from my life. That's it. No big deal. Just three stories.

The first story is about connecting the dots.

I dropped out of Reed College after the first 6 months, but then stayed around as a drop-in for another 18 months or so before I really quit. So why did I drop out?

It started before I was born. My biological mother was a young, unwed college graduate student, and she decided to put me up for adoption. She felt very strongly that I should be adopted by college graduates, so everything was all set for me to be adopted at birth by a lawyer and his wife. Except that when I popped out they decided at the last minute that they really wanted a girl. So my parents, who were on a waiting list, got a call in the middle of the night asking: "We have an unexpected baby boy; do you want him?" They said: "Of course." My biological mother later found out that my mother had never graduated from college and that my father had never graduated from high school. She refused to sign the final adoption papers. She only relented a few months later when my parents promised that I would someday go to college.

And 17 years later I did go to college. But I naively chose a college that was almost as expensive as Stanford, and all of my working-class parents' savings were being spent on my college tuition. After six months, I couldn't see the value in it. I had no idea what I wanted to do with my life and no idea how college was going to help me figure it out. And here I was spending all of the money my parents had saved their entire life. So I decided to drop out and trust that it would all work out OK. It was pretty scary at the time, but

looking back it was one of the best decisions I ever made. The minute I dropped out I could stop taking the required classes that didn't interest me, and begin dropping in on the ones that looked interesting.

It wasn't all romantic. I didn't have a dorm room, so I slept on the floor in friends' rooms, I returned coke bottles for the 5¢ deposits to buy food with, and I would walk the 7 miles across town every Sunday night to get one good meal a week at the Hare Krishna temple. I loved it. And much of what I stumbled into by following my curiosity and intuition turned out to be priceless later on. Let me give you one example:

Reed College at that time offered perhaps the best calligraphy instruction in the country. Throughout the campus every poster, every label on every drawer, was beautifully hand calligraphed. Because I had dropped out and didn't have to take the normal classes, I decided to take a calligraphy class to learn how to do this. I learned about serif and san serif typefaces, about varying the amount of space between different letter combinations, about what makes great typography great. It was beautiful, historical, artistically subtle in a way that science can't capture, and I found it fascinating.

None of this had even a hope of any practical application in my life. But ten years later, when we were designing the first Macintosh computer, it all came back to me. And we designed it all into the Mac. It was the first computer with beautiful typography. If I had never dropped in on that single course in college, the Mac would have never had multiple typefaces or proportionally spaced fonts. And since Windows just copied the Mac, its likely that no personal computer would have them. If I had never dropped out, I would have never dropped in on this calligraphy class, and personal computers might not have the wonderful typography that they do. Of course it was impossible to connect the dots looking forward when I was in college. But it was very, very clear looking backwards ten years later.

Again, you can't connect the dots looking forward; you can only connect them looking backwards. So you have to trust that the dots will somehow connect in your future. You have to trust in something — your gut, destiny, life, karma, whatever. This approach has never let me down, and it has made all the difference in my life.

My second story is about love and loss.

I was lucky — I found what I loved to do early in life. Woz and I started Apple in my parents garage when I was 20. We worked hard, and in 10 years Apple had grown from just the two of us in a garage into a $2 billion company with over 4000 employees. We had just released our finest creation — the Macintosh — a year earlier, and I had just turned 30. And then I got fired. How can you get fired from a company you started? Well, as Apple grew we hired someone who I thought was very talented to run the company with me, and for the first year or so things went well. But then our visions of the future began to diverge and eventually we had a falling out. When we did, our Board of Directors sided with him. So at 30 I was out. And very publicly out. What had been the focus of my entire adult life was gone, and it was devastating.

I really didn't know what to do for a few months. I felt that I had let the previous generation of entrepreneurs down—that I had dropped the baton as it was being passed to me. I met with David Packard and Bob Noyce and tried to apologize for screwing up so badly. I was a very public failure, and I even thought about running away from the valley. But something slowly began to dawn on me — I still loved what I did. The turn of events at Apple had not changed that one bit. I had been rejected, but I was still in love. And so I decided to start over.

I didn't see it then, but it turned out that getting fired from Apple was the best thing that could have ever happened to me. The heaviness of being successful was replaced by the lightness of being a beginner again, less sure about everything. It freed me to enter one of the most creative periods of my life.

During the next five years, I started a company named NeXT, another company named Pixar, and fell in love with an amazing woman who would become my wife. Pixar went on to create the world's first computer animated feature film, *Toy Story*, and is now the most successful animation studio in the world. In a remarkable turn of events, Apple bought NeXT, I returned to Apple, and the technology we developed at NeXT is at the heart of Apple's current renaissance. And Laurene and I have a wonderful family together.

I'm pretty sure none of this would have happened if I hadn't been fired from Apple. It awful tasted medicine, but I guess the patient needed it. Sometimes life hits you in the head with a brick. Don't lose faith. I'm convinced that the only thing that kept me going was that I loved what I did. You've got to find what you

love. And that is as true for your work as it is for your lovers. Your work is going to fill a large part of your life, and the only way to be truly satisfied is to do what you believe is great work. And the only way to do great work is to love what you do. If you haven't found it yet, keep looking. Don't settle. As with all matters of the heart, you'll know when you find it. And, like any great relationship, it just gets better and better as the years roll on. So keep looking until you find it. Don't settle.

My third story is about death.

When I was 17, I read a quote that went something like: "If you live each day as if it was your last, someday you'll most certainly be right." It made an impression on me, and since then, for the past 33 years, I have looked in the mirror every morning and asked myself: "If today were the last day of my life, would I want to do what I am about to do today?" And whenever the answer has been "No" for too many days in a row, I know I need to change something.

Remembering that I'll be dead soon is the most important tool I've ever encountered to help me make the big choices in life. Because almost everything—all external expectations, all pride, all fear of embarrassment or failure—these things just fall away in the face of death, leaving only what is truly important. Remembering that you are going to die is the best way I know to avoid the trap of thinking you have something to lose. You are already naked. There is no reason not to follow your heart.

About a year ago I was diagnosed with cancer. I had a scan at 7:30 in the morning, and it clearly showed a tumor on my pancreas. I didn't even know what a pancreas was. The doctors told me this was almost certainly a type of cancer that is incurable, and that I should expect to live no longer than three to six months. My doctor advised me to go home and get my affairs in order, which is doctor's code for prepare to die. It means to try to tell your kids everything you thought you'd have the next 10 years to tell them in just a few months. It means to make sure everything is buttoned up so that it will be as easy as possible for your family. It means to say your goodbyes.

I lived with that diagnosis all day. Later that evening I had a biopsy, where they stuck an endoscope down my throat, through my stomach and into my intestines, put a needle into my pancreas and got a few cells from the tumor. I was sedated, but my wife, who was there, told me that when they viewed the cells under a microscope the doctors started crying because it turned out to be a very rare form of pancreatic cancer that is curable with surgery. I had the surgery and I'm fine now.[1]

Now that employees have been hired, trained and remunerated, they need to be motivated to perform better. As stated earlier, HR manager is expected to offer 'HR deliverables'-highly motivated employees-to the organisation. Motivation is a tough challenge. There is no 'one fits' approach to motivation. To which stimulus employees respond, how they respond and what behavioural outcomes do they exhibit is difficult to say.

Good news for the HR professional is that there are several tried, tested and trusted approaches to motivation. An appropriate method can be picked up, may be to treat the needs of the organisation and applied to motivate his or her employees. First, the HR manager himself or herself should be knowledgeable about the nature and theories of motivation. Hence this chapter.

WHAT IS MOTIVATION?

A basic principle is that the performance of an individual depends on his or her ability backed by motivation. Stated algebraically the principle is:

$$\text{Performance} = f(\text{ability} \times \text{motivation})$$

Ability refers to the skill and competence of the person to complete a given task. However, ability alone is not enough. The person's desire to accomplish the task is also necessary. Organisations become successful when employees have abilities and desire to accomplish given tasks.

Motivation in simple terms may be understood as the set of forces that cause people to behave in certain ways. The framework shown in Fig. 15.1 helps us understand the nature of motivation better.

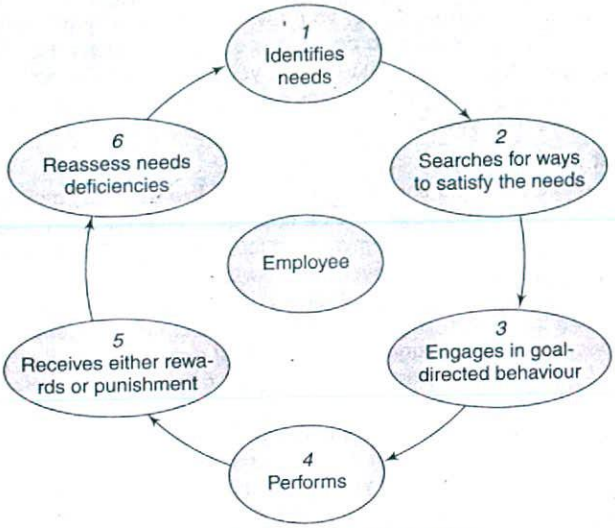


Fig. 15.1 Framework of Motivation

The framework (Fig. 15.1) comprises six steps. Motivation process as shown in the figure begins with the individual's needs (Step 1). Needs are felt deprivations which the individual experiences at a given time and act as energisers. These needs may be psychological (e.g., the need for recognition), physiological (e.g., the need for water, air or food) or social (e.g., the need for friendship). These deprivations force the individual to search for ways to reduce or eliminate them (Step 2).

Motivation is goal directed (Step 3). A goal is a specific result that the individual wants to achieve. An employee's goals are often driving forces and accomplishing those goals can significantly reduce needs. For example, some employees have strong drives for advancement and expectations that working long hours on visible projects will lead to promotions, raises and greater influence. Such needs and expectations often create uncomfortable tension within these individuals. Believing that certain specific behaviours can overcome this tension, these employees act to reduce it. Employees striving to advance may seek to work on major problems facing the organisation in order to gain visibility and influence with senior managers (Step 4). Promotions and raises are two of the ways that organisations seek to maintain desirable behaviours. They are signals (feedback) to employees that their needs for advancement and recognition and their behaviours are appropriate (Step 5). Once the employees have received either rewards or punishments, they reassess their needs (Step 6).

To sum up, motivation refers to the way behaviour gets started, is energised, is sustained, is directed, is stopped, and what kind of subjective reaction is present in the organism while all this is going on.[2]

IMPORTANCE OF MOTIVATION

Probably, no concept of HRM receives as much attention of academicians, researchers, and practising managers as motivation. The increased attention towards motivation is justified by several reasons.

1. Motivated employees are always looking for better ways to do a job. This statement can apply to corporate strategists, and to production workers. When people actively seek new ways of doing things, they usually find them. It is the responsibility of managers to make employees look for better ways of doing their jobs. An understanding of the nature of motivation is helpful in this context.

2. A motivated employee, generally, is more quality oriented. This is true whether we are talking about a top manager spending extra time on data gathering and analysis for a report, or a clerk taking extra care when filing important documents. In either case, the organisation benefits, because individuals in and outside the organisation see the enterprise as quality conscious. A clear understanding of the way motivation works helps a manager make his employees quality oriented.
3. Highly motivated workers are more productive than apathetic workers. The high productivity of Japanese workers and the fact that fewer workers are needed to produce an automobile in Japan than elsewhere is well known. The high productivity of Japanese workers is attributable to many reasons, but motivation is the main factor.[3] Productivity of workers becomes a question of the management's ability to motivate its employees. An appreciation of the nature of motivation is highly useful for managers.
4. Every organisation requires human resources, in addition to financial and physical resources for it to function. Three behavioural dimensions of HR are significant to the organisations—**(i)** people must be attracted not only, to join the organisation but also to remain in it; **(ii)** people must perform the tasks for which they are hired, and must do so in a dependable manner; and **(iii)** people must go beyond this dependable role performance and engage in some form of creative, spontaneous, and innovative behaviour at work. In other words, for an organisation to be effective, it must come to grips with the motivational problems of stimulating both—the decision to participate and the decision to produce at work.
5. Motivation as a concept represents a highly complex phenomenon that affects, and is affected by, a multitude of factors in the organisational milieu. A comprehensive understanding of the way in which an organisation functions, requires that increasing attention be directed towards the question of why people behave as they do on their jobs. An understanding of the topic of motivation is thus essential in order to comprehend more fully the effects of variations in other reactions (such as leadership style, job realisation, and salary systems) as they relate to performance, satisfaction, and so forth.
6. Yet another reason why increasing attention is paid towards motivation can be found in the present and future technology required for production. As technology increases in complexity, machines tend to become necessary, yet insufficient, vehicles of effective and efficient operations. Modern technology can no longer be considered synonymous with the term 'automation'. Consider the example of the highly technology-based space programme in our country.

The Polar Satellite Launch Vehicle's (PSLV) lift-off has been the result of 12 years of developmental work, transfer of technology to the private industry, smoothening the manufacture of components and subsystems, complex project management, and dedicated work by literally thousands in the ISRO, industry and other national laboratories and research institutes. With this feat, India has joined the exclusive club of half a dozen nations that can build and, more importantly, launch its own satellites.

The secret behind the success of ISRO has been its employees who are both capable of using and are willing to use the advanced technology to reach the goals.

Finally, while organisations have, for some time, viewed their financial and physical resources from a long-term perspective, only recently have they begun seriously to apply this same perspective to their human resources. Many organisations are now beginning to pay increasing attention to developing their employees as future resources (a 'talent bank') upon which they can draw, as they grow, and develop. Evidence for such a concern can be seen in the recent growth of management and organisational development programmes, in the increased popularity of 'assessment centre' appraisals, in recent attention to H.R. planing, and in emergence of HR accounting systems. More concern is being directed, in addition, towards stimulating employees to enlarge their job skills (through training, job design, job rotation, and so on), at both blue-collar and white-collar levels, in an effort to ensure a continual reservoir of well-trained and highly motivated people.[4]

MOTIVATIONAL CHALLENGES

The framework of motivation (Fig. 15.1) indicates that motivation is a simple process. But in reality, the task is more daunting.

One reason why motivation is a difficult task is that the workforce is changing. Employees join organisations with different needs and expectations. Their values, beliefs, backgrounds, lifestyles, perceptions and attitudes are different. Not many organisations have understood these and not many HR experts are clear about the ways of motivating such diverse workforce.

Motivating employees is also more challenging at a time when firms have dramatically changed the jobs that employees perform, reduced layers of hierarchy, and jettisoned large numbers of employees in the name of right-sizing or down-sizing. These actions have considerably damaged the levels of trust and commitment necessary for employees to put in efforts above minimum requirements. Some organisations have resorted to hire and fire and pay-for-performance strategies almost giving up motivational efforts. Such strategies may have some effects (both positive and negative) but fail to make an individual overreach himself or herself.

Third, motives can only be inferred, but not seen. The director of a B-School finds two girls working in his office showing varying performance, though both of them are of same age, same educational qualifications and identical work experience. What motivates one girl and fails with another is difficult to understand.

The dynamic nature of needs often poses challenge to any manager in motivating his or her subordinates. An employee, at any given time, has various needs, desires, and expectations. Further, all these change overtime and may also conflict with each offer. Employees who put in extra hours at work to fulfill their needs for accomplishment may find that these extra hours conflict directly with needs for affiliation and their desire to be with their families.

However, there is no shortage of models, strategies, and tactics for motivating employees. As a result, firms constantly experiment with next motivational programmes and practices. For discussion purposes, it is useful to classify motivational models into two general categories, as shown in Fig. 15.2.

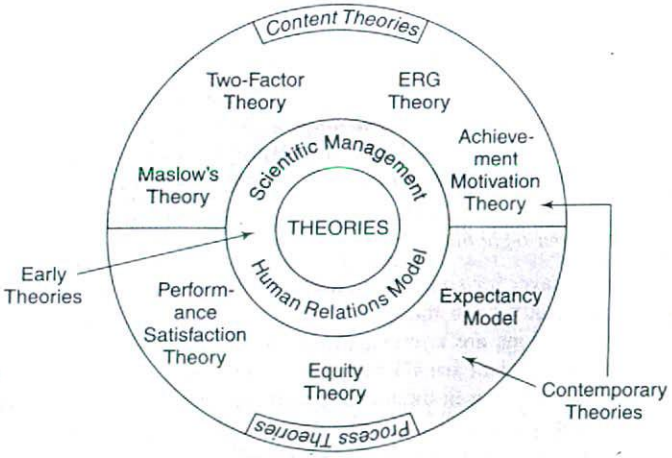


Fig. 15.2 Motivation Theories

THEORIES OF MOTIVATION

There are several approaches to the study of motivation. A perusal of the theories will help us understand the nature of motivation better. All the theories can be classified into two broad categories—early theories and contemporary theories. Early theories include Scientific Management, and Human Relations Model. Contemporary theories are further classified into: (i) content, (ii) process, and (iii) reinforcement categories. Content theories include Maslow's need hierarchy theory, Herzberg's two-factor theory, Alderfer's ERG and Achievement Motivation theory. Process theories include Vroom's Expectancy Model, Adam's Equity theory and Porter's Performance and Satisfaction model. Figure 15.2 lists the various theories of motivation.

I. EARLY THEORIES

(A) SCIENTIFIC MANAGEMENT

Scientific Management is the name given to a philosophy and set of methods and techniques that stressed the scientific study and organisation of work at the operational level for the purpose of increasing efficiency. Several luminaries contributed their ideas to the philosophy of scientific management but the movement is more associated with F.W. Taylor who is remembered as the 'Father of Scientific Management.'

Scientific management had contributed several techniques which are relevant even today. The techniques are:

1. Scientific method of doing work
2. Planning the task
3. Scientific selection, training and remuneration of workers
4. Standardisation
5. Specialisation and division of work
6. Time and motion studies
7. Mental revolution.

Coupled with Taylor's logical and rational approach to management was the simple theory of human behaviour. People are primarily motivated by economic rewards and will take direction if offered an opportunity to improve their economic positions. Put simply, Taylor's theory stated that:

1. Physical work could be scientifically studied to determine the optimal method of performing a job.
2. Workers could, thereafter, be made more efficient by giving them prescriptions as to how they were to do their jobs.
3. Workers would be willing to adhere to these prescriptions if paid on a differential piece-work basis.

The scientific approach to motivation has been widely criticised. In particular, behavioural scientists have argued that Taylor and his colleagues dehumanised workers by treating them as mere factors of production, who could be manipulated completely through economic incentives.

The most fundamental problem with Taylor's approach, from a motivational view point, is concerned with his rather simplistic assumption about human behaviour. Taylor believed that workers would be motivated more by the need for money (this assumption is called the 'rabble hypothesis'). He thought that interest of the worker is economic gain in the form of higher wages. Contrary to this rabble hypothesis, the worker has to satisfy a variety of needs in the work-place—need for security, social fulfilment, and a challenging job, including pay.

Taylor's over-simplified and routine jobs, instead of benefiting the workers, created boredom and dissatisfaction in them. The workers lost their ability to think, willingness to take initiative and preparedness to use skills effectively.

The contribution of Taylor is gaining acceptance now. For example, Peter Drucker believes that Taylor's work has had the same degree of impact upon the world as the work of Karl Marx or Sigmund Freud. The basic tenets of scientific management—science, not rule of thumb; harmony, not discord; co-operation, not individualism; maximum output, not restricted output; and the development of each person to his or her greatest efficiency and prosperity—that were relevant during Taylor's days, are being applied today, and will continue to be so in days to come.

(B) HUMAN RELATIONS MODEL

Eventually, it became clear that the assumption that workers were primarily motivated by money was inadequate. Elton Mayo and other human relations researchers found that the social contacts which the workers had at workplaces were also important and that the boredom and repetitiveness of tasks were themselves factors in reducing motivation. Mayo and others also believed that managers could motivate employees by acknowledging their social needs and by making them feel useful and important.

As a result, employees were given some freedom to make their own decisions on their jobs. Greater attention was paid to the organisation's informal work groups. More information was provided to employees about the manager's intentions and about the operations of the organisation. In the scientific management model, workers had been expected to accept the management's authority in return for high wages, made possible by the efficient system designed by the management and implemented by the workers. In the Human Relations Model, workers were expected to accept the management's authority because supervisors treated them with consideration and were attentive to their needs.

The problem with the Human Relations Model is its undue reliance on social contacts at work situations for motivating employees. Social contacts, though desirable, by themselves will not always help motivate workers.

II. CONTEMPORARY THEORIES

(A) CONTENT THEORIES

Maslow's need hierarchy theory, Herzberg's two-factor theory, Alderfer's ERG theory and McClelland's achievement theories are classified as content theories. These theories use individual needs to help in the understanding of job satisfaction and work behaviour. Needs reflect either physiological or psychological deficiencies. Hunger, for example, is a physiological need, whereas desire for emotional support is a psychological need. Needs are an additional aspect of individual attributes which complement his/her demographic, contemporary, and psychological characteristics.

Although content theories disagree somewhat concerning the exact nature of the needs, they do agree that

$$\text{Individual needs} \xrightarrow{\text{activate}} \text{tension} \xrightarrow{\text{that influences}} \text{job satisfaction and work behaviour}$$

Stated more clearly, content theorists suggest that the manager's job is to create a work environment that responds positively to individual needs. Such things as poor performance, undesirable behaviour, and decreased satisfaction can be partially explained in terms of dissatisfied needs. Also, the motivational value and rewards can be analysed in terms of 'activated' needs to which a given reward either does or does not respond.

Maslow's Need Hierarchy Theory

The need hierarchy of motivation, propounded by Abraham Harold Maslow is, undoubtedly, the simplest and most widely discussed theory of motivation. The essence of the theory may be summarised thus:

1. Human beings have wants and desires which can influence their behaviour. Only unsatisfied needs can influence behaviour, satisfied need do not act as motivators.
2. Since needs are many, they are arranged in the order of their importance, or hierarchy (hence the nomenclature need-hierarchy theory of motivation), from the basic to the complex.
3. The person advances to the next level of hierarchy, or from the basic to the complex, only when the lower-level need is, at least, minimally satisfied.
4. Further up the hierarchy the person is able to go, the more individuality, humaneness, and psychological health he or she will display.

It is the job of the HR specialists to lift employees from lower-level needs to higher-level needs.

Maslow's need hierarchy divides human needs into five levels as shown in Fig. 15.3. Each level represents a group of needs-not one need for each level.



Fig. 15.3 A Schematic Representation of Maslow's Need Hierarchy Theory

The most basic level of needs comprises the primary or physiological ones. So long as these needs are unsatisfied, they monopolise a person's consciousness and virtually have an exclusive power to motivate behaviour. However, when they are satisfied, they cease to be motivators.

The satisfaction of primary needs does not produce contentment. Instead, it unleashes a new series of discontent. The secondary needs now begin to acquire the power to motivate. People do not stop wanting. After physiological needs are fulfilled, they begin to want, in succession, safety, love, esteem, and self-realisation. Maslow also suggested that people can travel down as well as up the hierarchy. Loss of existing satisfaction of primary needs for example, can re-activate that level and increase its relative importance. A detailed description of each level of needs follows.

Physiological Needs The most basic, powerful, and obvious of all human needs is the need for physical survival. Included in this group are the needs for food, drink, oxygen, sleep, sex, protection from extreme temperature, and sensory stimulation. These physiological drives are directly concerned with the biological maintenance of the organism and must be gratified at some minimum level, before the individual

is motivated by higher-order needs. Put in another way, the person who fails to satisfy this basic level of needs just will not be around long enough to attempt satisfaction of higher need levels.

Admittedly, the social-physical environment in our country provides for the satisfaction of the primary needs of most persons. However, if one of these needs remains unsatisfied, the individual rapidly becomes dominated by that need, so that all other needs quickly become non-existent or become decidedly secondary. The chronically hungry person will never strive to compose music, or build a brave new world. Such a person is much too preoccupied with getting something to eat.
Maslow adds:

> *For our chronically and extremely hungry man, utopia can be defined simply as a place where there is plenty of food. He tends to think that, if only he is guaranteed food for the rest of his life, he will be perfectly happy and will never want anything more. Life itself tends to be defined in terms of eating. Anything else will be defined as unimportant. Freedom, love, community feeling, respect, philosophy, may all be waved aside as fripperies that are useless, since they fail to fill the stomach. Such a man may fairly be said to live by bread alone' (1970, p. 37).*

Physiological needs are crucial to the understanding of human behaviour. The devastating effects on behaviour produced by lack of food or water have been chronicled in numerous experiments and autobiographies. One terrifying example of the behavioural effects brought about by prolonged food deprivation occurred when a Peruvian airliner crashed deep in the jungles of South America in 1970. Stranded with a dwindling supply of food, the survivors, including a Catholic priest, resorted to eating the victims of the crash. This incident illustrates how the deeply ingrained social and moral taboos can give way to biological drives under stressful conditions. Without doubt, physiological needs dominate human desires, and these have to be satisfied before higher-order goals can be pursued.[5]

In the organisational context, physiological needs are represented by employees' concern for salary and basic working conditions. It is the duty of HR managers to ensure that these needs of the employees are met so that they can be motivated to strive for gratification of higher-order needs.

Safety Needs Once physiological needs are met, another set of motives, called safety or security needs, become motivators. The primary motivating force here is to ensure a reasonable degree of continuity, order, structure, and predictability in one's environment. Maslow suggested that the safety needs are most readily observed in infants and young children because of their relative helplessness and dependence on adults.

Safety needs exert influence beyond childhood. The preference for a secured income,, the acquisition of insurance and a house may be regarded as motivated in part by the desire for safety. At least in part, religious and philosophic belief systems may also be interpreted in this fashion. Religions and philosophies help a person organise his or her world and the people in it into a coherent and meaningful whole, thus making the person feel 'safe'. Other instances of the need for safety occur when individuals are confronted with real emergencies that is, war, crime, waves, floods, earthquakes, riots, societal disorganisations, and similar other conditions.[6]

Security needs in the organisational context correlate to such factors as job security, salary increases, safe working conditions, unionisation, and lobbying for protective legislation. Managerial practices to satisfy the safety needs of employees include pension schemes, group insurance, provident fund, gratuity, safe working conditions, grievance procedure, system of seniority to govern lay-off and, others. Arbitrary or unpredictable actions, actions which create feelings of uncertainty (particularly regarding continued employment), favouritism, or discrimination on the part of superiors, hardly create a feeling of security in an employee's mind.

Belonging and Love Needs The belonging and love needs constitute the third level in the hierarchy of needs. These needs arise when physiological and safety needs are satisfied. An individual motivated on this level longs for affectionate relationship with others, namely, for a place in his or her family and/or reference groups. Group membership becomes a dominant goal for the individual. Accordingly, the person will keenly feel the pangs of loneliness, social ostracism, and rejection, especially when induced by the absence of friends, relatives, a spouse or children.[7]

Unlike Freud, who equated love with sex, Maslow believed that love involves a healthy, loving relationship between two people, which includes mutual respect, admiration and trust. Maslow also stressed that love needs involve both giving and receiving love. Being loved and accepted is instrumental to healthy feelings of worth. Not being loved leads to feelings of futility, emptiness, and hostility.

In the organisational context, social needs represent the need for a compatible work group, peer acceptance, professional friendship, and friendly supervision. Managers do well to encourage informal groups. Besides, supervision requires to be effective, and friendly behaviour with subordinates pays.

Unfortunately, many managers view friendly relations of employees with their peers as a threat to the organisation, and act accordingly. Managers have often gone to considerable lengths for control and direct employees' relationships in ways that are opposed to the natural groupings of humans. Therefore, when a manager assumes that informal groups always threaten the organisation, and actively strives to break up the existing groups, the individuals affected may become resistant, antagonistic, and uncooperative. These resistant actions are often consequences or symptoms, not causes, for the manager may have thwarted the fulfilment of the social needs, and perhaps even the safety needs.

Self-esteem Needs Next in Maslow's hierarchy are esteem or egoistic needs. Maslow classified these needs into two subsidiary sets—self-respect and esteem from others. The former includes such things as desire for competence, confidence, personal strength, adequacy, achievement, independence, and freedom. An individual needs to know that he or she is competent and capable of mastering tasks and challenges in life. Esteem from others includes prestige, recognition, acceptance, attention, status, reputation, and appreciation. In this case, individuals need to be appreciated for what they can do, that is, they must experience feelings of worth because their competence is recognised and valued by others.

Satisfaction of the self-esteem needs generates feelings and attitudes of self-confidence, worth, strength, capability and of being useful and necessary in the world. In contrast, thwarting these needs leads to feelings and attitudes of inferiority, ineptness, weakness, and helplessness. These negative self-perceptions may, in turn, give rise to a feeling of discouragement, sense of futility and hopelessness in dealing with life's demands and a low evaluation of self vis-a-vis others. Maslow emphasised that the most healthy self-esteem is based on respect earned from others rather than on fame, status, or adulation. Esteem is the result of effort—it is earned. Hence, there is a real psychological danger of basing one's esteem needs on the opinions of others rather than on real ability, achievement and adequacy. Once a person relies exclusively upon the opinions of others for his or her own self-esteem, he or she places himself or herself in psychological jeopardy. To be solid, self-esteem must be founded on one's actual worth rather than on external factors beyond one's control.[8]

In the workplace, self-esteem needs correspond to job title, merit pay, peer/supervisory recognition, challenging work, responsibility, and publicity in company publications. Managerial practices to fulfil these needs include challenging work assignments, performance feedback, performance recognition, personal encouragement and involving employees in goal setting and decision making.

Self-actualisation Needs Finally, if all the earlier four level needs are satisfied, the need for self-actualisation comes to the fore. Maslow characterised self-actualisation as the desire to become everything that one is capable of becoming. The person who has achieved this highest level presses towards the full use

and exploitation of his or her talents, capacities, and potentialities. In other words, to self-actualise is to become the total kind of person that one wants to become, to reach the peak of one's potential. (read Exhibit 15.1 for an interesting story about self-actualisation). Steve Jobbs case told in the beginning of this chapter is another example of self-actualisation.

Exhibit 15.1 ***Against All Odds***

In 1883, a creative engineer named John Roebling was inspired by an idea to build a spectacular bridge connecting New York with Long Island. However, bridge experts throughout the world thought that this was an impossible feat and told Roebling to forget the idea. It just could not be done. It was not practical. It had never been done before.

Roebling could not ignore the vision he had in his mind of this bridge. He thought about it all the time and felt it could be done. He just had to share the dream with someone else. After much discussion and persuasion he managed to convince his son, Washington, an up-coming engineer, that the bridge could be built. Working together for the first time, the father and the son developed concepts of how it could be accomplished and how the obstacles could be overcome. With greater excitement and inspiration, and the headlines of a wild challenge before them they hired their crew and began to build their dream bridge.

The project started well, but when it was only a few months underway a tragic accident on the site took the life of John Roebling. Washington was injured and left with a certain amount of brain damage, which resulted in him not being able to walk or talk or even move.

"We told them so."

"Crazy men and their crazy dreams."

"It is foolish to chase wild visions."

Everyone had a negative comment to make and felt that the project should be scrapped since the Roeblings were the only ones who knew how the bridge could be built.

In spite of his handicap, Washington was never discouraged and still had a burning desire to complete the bridge and his mind was still as sharp as ever. He tried to inspire and pass on his enthusiasm to some of his friends, but they were too daunted by the task.

As he lay on his bed in his hospital room, with the sunlight streaming throughout the windows, a gentle breeze blew the flimsy white curtains apart and he was able to see the sky and the tops of the trees outside for just a moment. It seemed that there was a message for him not to give up.

Suddenly an idea hit him. All he could do was to move one finger and he decided to make the best use of it. By moving this, he slowly developed a code of communication with his wife. He touched his wife's arm with the finger, indicating to her that he wanted her to call the engineers again. Then he used the same method of tapping her to tell the engineers what to do. It seemed foolish but the project was under way again.

For 13 years, Washington tapped out his instructions with his finger on his wife's arm, until the bridge was finally completed. Today the spectacular Brooklyn bridge stands in all its glory as a tribute to the triumph of one man's indomitable spirit and his determination not to be defeated by circumstances. It is also a tribute to the engineers and their teamwork, and to their faith in a man who was considered mad by half the world. It stands too as a tangible monument to the love and devotion of his wife, who, for those 13 long years patiently decoded the messages of her husband and told the engineers what to do.

Source: *The Hindu*, March 8, 1997.

The need for self-actualisation is distinctive, in that it is never fully satisfied. It appears to remain important and insatiable. The more apparent satisfaction of it a person obtains, the more important the need for more seems to become.

Though the impulse to realise one's potential is natural and necessary, only a few, usually the gifted ones, ever do so. Maslow himself estimated that less than one per cent of the population fulfils the need for

self-actualisation. Maslow puts forth three reasons for this. *First,* people are invariably blind to their own potentialities. *Second,* the social environment often stifles development towards self fulfilment. Women, for example, were stereotyped for long as housewives. This prevented them from reaching self-fulfilment. A *final* obstacle is the strong negative influence exerted by the safety needs. The growth process demands a constant willingness to take risks, to make mistakes and learn from them, and to give up old habits. This requires courage. It logically follows that anything that increases the individual's fear and anxiety also increases his or her tendency to regress towards safety and security.

In an organisation, self-actualisation needs correlate with the desire for excelling in one's job, advancing an important idea, successfully managing a unit, and the like. By being aware of the self-actualisation needs of subordinates, managers can use a variety of approaches to enable them to achieve personal as well as organisational goals.

? Pause and Ponder

In which level of needs are you now stuck up? To which level are you willing to climb up? Answer these questions.

Evaluation of Need Hierarchy Model

Maslow's need hierarchy theory has been highly appreciated. It is said that the theory offers some useful ideas for helping managers think about motivating their employees. As a result of their widespread familiarity with the model, the managers are more likely to identify employee needs, recognise that the needs may be different for each employee, offer satisfaction for the particular needs, and realise that giving more of the same reward may have a diminishing impact on motivation.[9]

The *second* merit of the theory is that it accounts for interpersonal variations in human behaviour. It suggests answers to questions that have puzzled supervisors. Questions as to why do some employees seem highly motivated by money while others are not? Why do some workers get engrossed in their work, while others loaf around? The answer may be that they belong to varying levels of Maslow's needs hierarchy. This has an important implication for the manager. The implication is that the desired behaviour is most likely to occur if it results in the satisfaction of an employee's prepotent need. Rewards or incentives, therefore, will be effective when they are linked to the prepotent level.[10]

Third, the need hierarchy model is dynamic in that it presents motivation as a constantly changing force, expressing itself through the constant striving for fulfillment of new and higher levels of needs. Man is never satisfied. Instead of resting on his or her laurels when one goal is reached or a need is satisfied, the individual will typically redirect his or her efforts and capacities towards the attainment of still higher-level needs.[11]

Fourth, Maslow's approach to human behaviour makes a total departure from earlier approaches. Called humanistic psychology, Maslow's approach is based on existential philosophy. One of the basic tenets of existential philosophy is that a man is a healthy, good and creative being, capable of working out his own destiny. One may not subscribe to the existential philosophy, but Maslow deserves to be complimented because of his departure from the Freudian philosophy which focussed on sex, and Skinner who sought to extend observations derived from animal research to human behaviour.[12]

Finally, the theory deserves appreciation for its simplicity, commonness, humaneness, and intuitiveness. However, there are more critics than supporters to the theory propounded by Maslow.

1. It is said that Maslow's theory is not a theory of work motivation. In fact, Maslow himself, did not intend that his need hierarchy be directly applied to work motivation. Aspects that motivated humans

in organisations were not analysed until about 20 years after Maslow had originally proposed his theory. Others like Douglas McGregor, in this widely read book *The Human Side of Enterprise*, popularised Maslow's theory in management literature.

2. The hierarchy of needs simply does not exist. At all levels, needs are present at a given time. An individual motivated by self-actualisation needs, for example, cannot afford to forget his or her food.
3. Assuming hierarchy does exist among needs, it may not be the same in all countries. Maslow's hierarchy applies to American and British managers. Japanese managers, however, would seem to have a hierarchy that places social and security needs higher, because they are less well-satisfied than self-actualised. Northern European managers would seem to have a hierarchy that reverses Maslow's positioning of safety and love. These and other variations imply that Maslow's hierarchy may be a better reflection of the culture of its birth, than a guide to motivation in other cultures.[13]
4. Not only are there differences across countries in needs hierarchy, there are variations within countries and among individuals. Within a country, culturally disadvantaged employees may feel stronger deprivation of lower-level needs, whereas culturally advantaged employees seek satisfaction of higher-level needs.

   Maslow himself pointed out that individuals differ in the relative intensity of their various needs. For example, some individuals remain strongly influenced by feelings of insecurity despite objective conditions that satisfy the needs of most similarly situated persons.
5. Maslow's assumption about psychological health is not acceptable to many. His existential philosophy is also questioned by the critics. Contrary to Maslow's belief, many individuals may stay content with lower-level needs—physiological or safety needs. They may not move further up in the hierarchy of needs in search of satisfaction.
6. It has also been pointed out that managers will not have time to leisurely diagnose as to where every employee stands on Maslow's hierarchy. Furthermore, they may not be free to supply tailor-made rewards to each of them. Given these constraints, in addition to the presence of cultural and individual differences in patterns of need satisfaction, how can a manager make any practical use of Maslow's theory?[14]

In spite of its serious limitations, the need hierarchy theory is important because of its contribution to making the management reward the diverse needs of humans at work. Their names or hierarchy are not important. But some of them, particularly higher-level needs like esteem and actualisation needs, are important to the content of work motivation.

Two-factor Theory

Another very popular theory of motivation is that proposed by psychologist Frederick Herzberg. This model, which is variously termed the two-factor theory, the dual factor theory, and the motivation-hygiene theory, has been widely accepted by managers concerned with the problem of human behaviour at work.

There are two distinct aspects of the motivation-hygiene theory. The first and more basic part of the model represents a formally stated theory of work behaviour. It is this two-factor model of motivation which is considered in this chapter. The second aspect of Herzberg's work has focussed upon the behavioural consequences of job-enrichment and job-realisation programmes. The second aspect will be considered in the next chapter.

Herzberg and his associates Mausner, Peterson and Capwell began their initial work on factors affecting work motivation in the mid-1950s. Their first effort entailed a thorough review of existing research to the date on the subject. Based on this review, Herzberg carried out his now-famous survey of 200 accountants and engineers. Herzberg used the critical incident method of obtaining data for analysis. The respondents

essentially were asked two questions—**(i)** When did you feel particularly good about your job, and **(ii)** When did you feel exceptionally bad about your job?

Responses obtained from this critical incident method were interesting. It was revealed that factors which made respondents feel good were totally different from those which made them feel bad. As seen in Fig. 15.4, certain characteristics tend to be consistently related to job satisfaction (factors in the inner circle), and others to job dissatisfaction (factors in the outer circle).

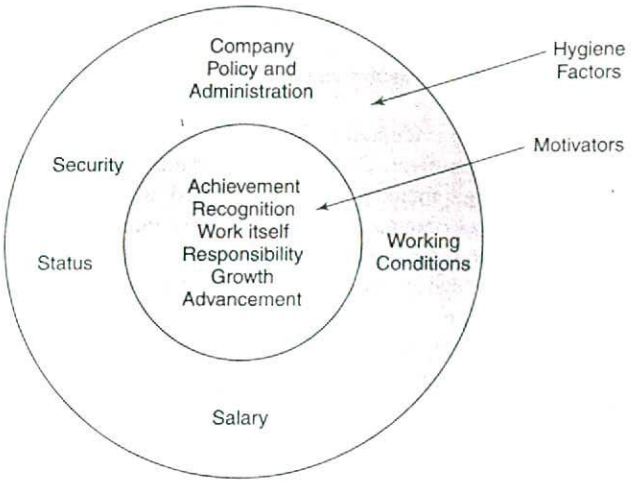


Fig. 15.4 Hygiene Factors and Motivators

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

According to Herzberg, satisfaction and dissatisfaction are not opposite poles of one dimension, they are two separate dimensions. Satisfaction is affected by motivators, and dissatisfaction by hygiene factors. This is the key idea of Herzberg, and it has important implications for managers.

To achieve motivation, managers should cope with both satisfiers and dissatisfiers, improve hygiene factors—dissatisfaction is removed from the minds of employees. A favourable frame of mind is now created for motivation. Provide satisfiers, and motivation will take place. Managers should be realistic and should not expect motivation by only improving the 'hygienic' work environment.

This is the crux of the two-factor theory of motivation. Figures 15.4 and 15.5 diagram the essence of the Herzberg model.

Evaluation of the Two-Factor Theory

Like the need hierarchy theory, the hygiene-motivation theory has been subjected to appreciation and criticism. The criticisms of the theory are the following:

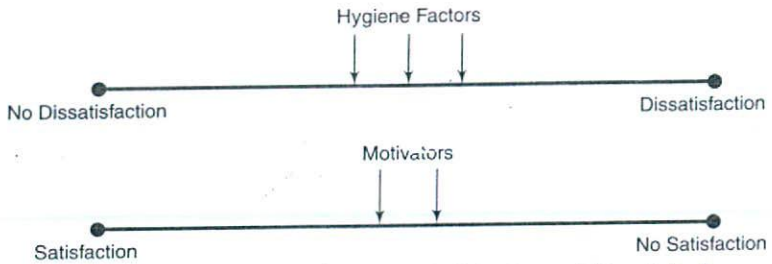


Fig. 15.5 Contrasting Views of Satisfaction and Dissatisfaction

1. The procedure that Herzberg adopted is limited by its methodology. When things are going well, people claim credit for themselves. Contrarily, they blame failures on the extrinsic environment.
2. The reliability of Herzberg's methodology is questioned. Since raters have to make interpretations, it is possible that they may contaminate the findings by interpreting one response in one particular manner, while treating a similar response differently.
3. The theory, to the degree that it remains valid, provides an explanation of job satisfaction. It is not really a theory of motivation.
4. No overall measure of satisfaction was utilised. In other words, a person may dislike a part of his or her job, yet think the job to be acceptable.
5. The theory is inconsistent with previous research. The motivation-hygiene theory ignores situational variables.
6. Herzberg assumes that there is a relationship between satisfaction and productivity. But the research methodology he used looked only at satisfaction, not at productivity. To make such a research relevant, one must assume a high degree of relationship between satisfaction, and productivity.[15]
7. The two factors are not actually distinct. Both, motivators and hygiene factors contribute to satisfaction as well as dissatisfaction.
8. As a result of Herzberg's theory, there has been a tremendous emphasis on motivators. The importance of hygiene factors has been ignored.

There are certain merits of the theory. One of the most significant contributions of Herzberg's work was the tremendous impact it had on stimulating thought, research and experimentation on the topic of motivation at work. Before 1959, little research had been carried out in the area of work motivation, and the research that did exist was largely fragmentary. Maslow's work on the need hierarchy theory and others were largely concerned with laboratory-based findings, or clinical observations, and neither had seriously addressed the problems of the workplace at that time. Herzberg filled this void by calling attention to the need for increased understanding of the role of motivation in organisations.[16]

Second, Herzberg's theory offers specific action recommendations for managers to improve motivational levels. Herzberg cleared many misconceptions concerning motivation. For example, Herzberg argued that money should not be viewed as the most potent force on the job. He advanced a strong case for 'content' factors which have a considerable bearing on behaviour. According to Herzberg, it is these content factors, and not money, that are primarily related to work motivation.

Third, the job-design technique of job enrichment is the contribution of Herzberg.

Finally, Herzberg double dimensionalised the needs, instead of dividing it into five, as done by Maslow.

It can be stated that Herzberg's theory has been widely read and very few managers are unfamiliar with his recommendations. The increased popularity, since the mid-1960s, of vertically expanding jobs to allow

workers greater responsibility in planning and controlling their work can be largely attributed to Herzberg's findings and recommendations.[17]

ERG Theory

The E, R and G of ERG theory stand for existence, relatedness and growth—the three sets of needs which are the focus of this alternative theory of *human needs in organisations*. ERG theory, developed by Alderfer, argues, as Maslow did, that people do have needs, that those needs are arranged in a hierarchy and that needs are important determinants of human behaviour. However, the ERG theory differs from the need hierarchy theory in three respects. *First,* instead of five hierarchies of needs, the ERG theory hypothesises only three. *Second,* the need hierarchy theory postulates a rigid step-like progression. The ERG theory, instead, hypothesises that more than one need may be operative at the same time. In other words, Alderfer suggests that there does not exist a rigid hierarchy where a lower-level need must be substantially gratified before one can move on. A person can be working on growth even though existence or relatedness needs are unsatisfied. *Third,* Maslow had stated that a person will stay at a certain level until that need is satisfied. The ERG theory counters this by noting that when a higher-level need is frustrating, the individual's desire to increase a lower-level need takes place. Inability to satisfy the need for social interaction, for instance, might increase the desire for more money or for better working conditions. Thus, the ERG theory contains a frustration-regression dimension. Frustration at a higher-level need can lead to regression to a lower-level need.

Evaluation of ERG Theory

Advantages of the ERG theory are as follows:

1. The ERG theory is more consistent with our knowledge of individual differences among people. Variables such as education, family background, and cultural environment can alter the importance or driving force that a group of needs holds for a particular individual. The evidence demonstrates that people in other cultures rank the need categories differently. For instance, natives of Spain and Japan place social needs before their psychological requirements. This would be consistent with the ERG theory. The ERG theory, therefore, represents a more valid version of the need hierarchy.[18]
2. Although, there is some evidence to counter the theory's predictive value, most contemporary analysis of work motivation tends to support Alderfer's theory over Maslow's and Herzberg's. Overall, the ERG theory seems to take some of the strong points of the earlier content theories, but is less restrictive and limiting.[19]

The disadvantages of the theory are as follows:

1. The theory does not offer clear-cut guidelines. The ERG model implies that individuals will be motivated to engage in a behaviour which will satisfy one of the three sets of needs postulated by the theory. In order to predict what behaviour any given person will be motivated to engage in, an assessment of that person would be required, to determine which of the three needs were most salient and most important to that person. The individual would then be predicted to engage in a specific behaviour, which would lead to the attainment of outcomes, which have the capacity for fulfilling these salient needs.[20]
2. The ERG theory is newer than the need hierarchy theory, and has neither yet attained such a wide currency, nor such a high degree of research interest as has the need hierarchy theory. Thus, the empirical status of the ERG theory must be said to be somewhat uncertain at the moment. Alderfer's research has indicated some degree of support for the theory, but it is simply too early to pass a judgement on the overall validity of the theory.

Achievement Motivation Theory

Also called the Three Needs Theory, the Achievement Motivation theory was advocated by David C. McClelland and his associates. It was in the late 1940s that McClelland and his friends began to study the three needs that motivate human behaviour—power, affiliation and achievement. The theory envisages that each person has a need for all the three (as well as for others), but that people differ in the degree to which the various needs motivate their behaviour.

A brief description of these three needs follows.

Need for Achievement (nAch) Employees with a high need for achievement derive satisfaction from reaching their set goals. Succeeding at a task is important to the high achiever. Although, people with a high need for achievement are often wealthy, their wealth comes from their ability to achieve goals. In most societies, goal achievement is rewarded financially. High achievers are not motivated by money *per se,* money is the indicator of their achievement. High achievers prefer immediate feedback on their performance, and they generally undertake tasks of moderate difficulty rather than those that are either very easy or very difficult. They dislike tasks with high risks because they get no achievement satisfaction from accidental successes. Similarly, they dislike easy tasks because there is no challenge to their skills. High achievers also prefer to work independently, so that successful task performance (or failure) can be related to their own efforts rather than to someone else's.

McClelland believes that the need for achievement can be learned. He has cited numerous instances in which people developed the need to achieve. He believes that economically backward cultures can be changed if the need to achieve is stimulated. If McClelland is right, the achievement motivation is particularly attractive, because the motive can be *taught* to an individual or a group.

That the need for achievement can be learned as demonstrated in the Kakinada (AP) project in our country, in the 1970s. In this ambitious project, researchers attempted to raise the achievement motivation of businessmen in Kakinada. The attempt was a success. The businessmen made plans to realise their personal goals to become successful entrepreneurs, and told each other about their goals, and their methods of reaching them. The businessmen, thus, became more productive as entrepreneurs. They started several large industries, enlarged their businesses, and hired more than five thousand locals. In a ten-year reassessment of the programme, achievement motivational levels and results were found exceptional.[21]

Though McClelland placed emphasis on nAch motives, he also studied the need for power and affiliation.

Need for Power (nPow) The employees exhibiting the needs for power derive satisfaction from the ability to control others. Actual achievement of goals is less important than the means by which goals are achieved. Satisfaction is derived from being in positions of influence and control. Individuals with a high nPow derive satisfaction from being in positions of influence and control. Organisations that foster a power motive tend to attract individuals with a high need for power (for example, military and political organisations).

Need for Affiliation (nAff) Individuals exhibiting this need as a dominant motive derive satisfaction from social and interpersonal activities. There is a need to form strong interpersonal ties and to 'get close' to people psychologically. If asked to choose between working at a task with those who are technically competent and those who are their friends, high-nAff individuals will choose their friends.

Evaluation of the Theory

Like any other theory on motivation, McClelland's theory too has been criticised, the criticisms often being unfair. In the first place, the critics question whether motives can be taught to adults. Considerable psychological literature suggest that the acquisition of motives normally occurs in childhood and is very difficult to

change, once it has been established. McClelland, however, counters that there is strong evidence from politics and religion to indicate that adult behaviour can be drastically altered in a relatively short time.

The second criticism of this theory questions the contention that the needs are permanently acquired. McClelland is the only theorist who argues that the needs can be changed socially through education or training. Opponents contend that the change may be only temporary—similar to the one which occurs at an evangelistic meeting or a political rally.

The third criticism relates to the methodology used by McClelland and his associates to advocate the theory. These researchers used the famous Thematic Apperception Test (TAT) of Murray as the basic tool to determine basic needs. While, projective techniques as TAT have many advantages over structured questionnaires, the interpretation of the responses is more subject to the researcher's bias.

On the plus side, it may be stated that the findings of McClelland highlight the importance of matching the individual and the job. Employees with high achievement needs thrive on work that is challenging, satisfying, stimulating and complex. They welcome autonomy, variety, and frequent feedback from supervisors. Employees with low achievement needs prefer situations of stability, security, and predictability. They respond better to considerate supervision than to impersonal, high-pressure supervision and look to the workplace and co-workers for social satisfaction. McClelland's research also suggests that managers can, to some extent, raise the achievement needs level of subordinates by creating the proper work environment—permitting their subordinates a measure of independence, increasing responsibility and autonomy, gradually making tasks more challenging, and praising and rewarding high performance.

Thus, McClelland's work seems to have numerous practical applications, at least, in the economic realm. It would appear that the current problem is to concentrate on the development of an environment that will support the desired need, be it affiliation, power or achievement, or to change the need to fit the environment. The essence of the theory is that:

$$\text{Individual needs} + \text{responsive work environment} \xrightarrow{\text{can create}} \text{work motivation and job satisfaction}$$

Implications of Content Theories To a student it looks as though the content theories—Need Hierarchy, Two-Factor, Achievement Motivation and ERG—are all alike. In fact, it appears that essentially two theories have become too many.

There are similarities in the types of needs proposed by these theories. As shown in Fig. 15.6, these theories propose similar kinds of needs, but divide them into slightly different categories.

Both Maslow and Alderfer, for example, build a hierarchy of needs, whereas Herzberg proposed two discrete continua for two need categories.

Herzberg's hygiene factors correspond to the three lower levels of Maslow's theory. Similarly, Herzberg's motivation factors are parallel to the top two levels of Maslow's hierarchy.

There are also similarities between need hierarchy and ERG theories. The existence needs in the ERG theory correspond to the physiological and safety needs of Maslow's hierarchy. The related needs overlap with the interpersonal needs and the need for respect from others in Maslow's theory. Finally, the growth needs correspond to Maslow's self-esteem and self-actualisation needs.

McClelland's theory can likewise be dovetailed with other theories. The need for affiliation is clearly analogous to relatedness needs in the ERG theory, belongingness in Maslow's hierarchy and interpersonal relations in Herzberg's theory. The need for power overlaps with Alderfer's relatedness and growth needs; the need for achievement fits well with Alderfer's growth needs and Maslow's self-actualisation needs.

Similarities notwithstanding, each theory has served an important function in the evolution of management theories of work motivation. Need-hierarchy theories highlighted the importance of non-economic needs—such as Maslow's esteem needs or Alderfer's relatedness needs—in motivating employees. Herzberg's

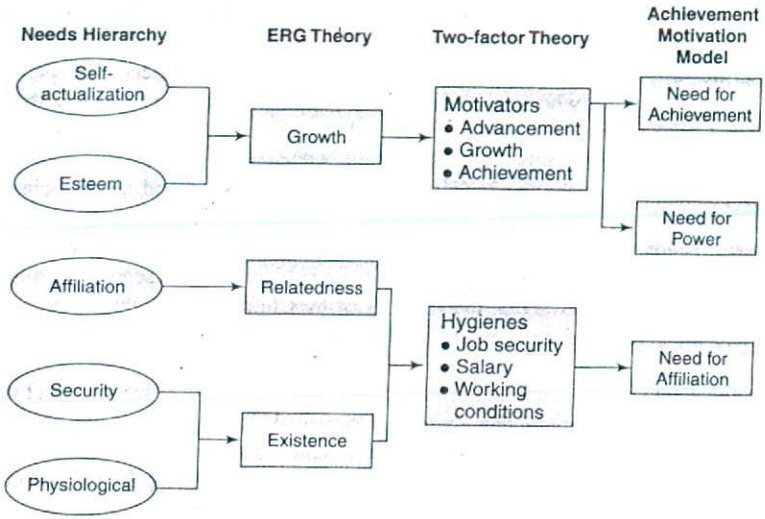


Fig. 15.6 Matching Content Theories

Source: Don Hellriegel, et al, *Organisational Behaviour*, p. 145.

two-factor theory raised in managers' minds an important distinction between extrinsic and intrinsic sources of motivation. McClelland's theory drove home the idea that some needs are learned.

Taken together, all the content theories emphasise the variety of possible worker needs. This has two important implications for HR practitioners. First, these theories remind managers that there is no such thing as an ideal job design. While job design discussed in the next chapter will focus on how to make jobs more enlarged, more enriched, and more involving, it should always be remembered that more of any of these job features is only better for a worker who wants or needs more. This conclusion has led some management thinkers to suggest that an important point of selecting a new employee is finding one whose needs fit with what the job has to offer.

A second implication of content theories for HR practitioners is the need to tailor compensation schemes to different individual needs. Incentive schemes, for example, allow workers to choose their own rewards, the inspiration behind this practice being content theories of motivation.

(B) PROCESS THEORIES

Content theories emphasise the importance of inner needs in motivation. Maslow, Alderfer, Herzberg, and other researchers focussed on existence of these needs and their role in initiating the motivational cycle. Unfortunately, most content theories share three assumptions that limit their usefulness to managers. The theories assume that **(i)** all employees are alike, **(ii)** all situations are alike, and **(iii)** there is one best way to motivate all employees. In recent years, a substantially different approach to understanding motivation has emerged. This approach includes a number of process theories that view motivation as an individual's decision to act so as to put forth some given level of effort. There are three such theories, namely, expectancy theory, equity theory, and performance-satisfaction model.

Expectancy Model

The expectancy model goes by several other names such as instrumentality theory, path-goal theory and valence-instrumentality-expectancy (VIE) theory. The expectancy theory has its roots in the cognitive concepts of pioneer psychologists Kurt Lewin and Edward Tolman, and in the choice behaviour and utility concepts from the classical economic theories. However, the first to formulate an expectancy theory, directly aimed at work motivation, was Victor H. Vroom.

Expectancy theory is based on the idea that work effort is directed towards behaviours that people believe will lead to desired outcomes. Through experience, we develop expectations about whether we can achieve various levels of job performance. We also develop expectations about whether performance will lead to desired outcomes. Finally, we direct our efforts towards outcomes that help us fulfill our needs. A basic premise of the expectancy theory is that employees are rational and not impulsive. They think about what they have to do to be rewarded and how much the rewards mean to them before they perform their jobs.

Four important variables need to be explained to understand the expectancy model better. They are: first level and second-level outcomes, expectancy, valence and instrumentalities.

First Level and Second Level Outcomes Performance achieved as a result of efforts is the first level outcome. Performance may be reflected through productivity, absenteeism, quality of work and the like. Second level outcomes are the rewards (positive or negative) that the first level outcomes are likely to produce. They include a pay raise, promotion, peer acceptance, and job security.[22]

Expectancy The belief that a particular level of effort will be followed by a particular level of performance is called expectancy. Expectancy is simple probability and therefore ranges from 0, indicating no chance that a first-level outcome will occur after the behaviour, to +1, indicating certainty that a particular first level outcome will follow a behaviour.

Expectancy can be restated as follows:

$$\text{Effort-to-performance } (E \rightarrow P)$$

Instrumentality This is the perception by an individual that first level outcomes are associated with second level outcomes. In other words, instrumentality is the relationship between the first level outcomes and the second level outcomes. It can have values ranging from –1 to +1. A –1 indicates that the attainment of a second-level outcomes is less likely if a first-level outcome has occurred. A +1 suggests that the attainment of a second-level outcome has been attained. If there is no relationship between the first level outcome and the second level outcome, instrumentality is said to be 0.

Instrumentality can also be stated as follows:

$$\text{Performance-to-outcome or } (P \rightarrow O)$$

Valence The fourth element in the expectancy model is valence. Valence is an individual's preference for a second level outcome. Valence can have values ranging from negative to positive. Outcomes having a positive valence include being respected by friends and co-workers, performing meaningful work, having job security and earning enough money to support self and his/her family. Outcomes having a negative valence are things that one wants to avoid, such as being laid off, being passed over for promotion or being discharged for drunken behaviour at work place. An outcome is positive when it is preferred and negative when it is not preferred or to be avoided. An outcome has a valence of 0 when an individual is indifferent about receiving it.

In summary, according to the expectancy theory motivation is:

$$\text{Expectancy} \times \text{Instrumentality} \times \text{Valence}$$

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

Managers of successful firms strive to ensure that employees' levels of expectancy, instrumentality and valence are high so that they will be highly motivated (also *see* Fig. 15.7).

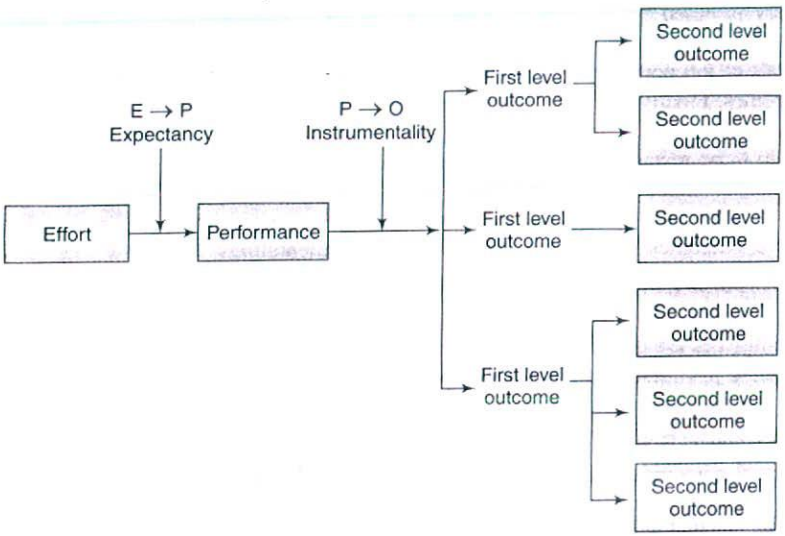


Fig. 15.7 Expectancy Theory

Evaluation of Expectancy Theory

The expectancy model has been both appreciated as well as criticised.

One of the appealing characteristics of the expectancy model is that it provides clear guidelines for increasing employee motivation by altering the person's expectancies (E → P), instrumentalities (P → O) and outcome valences.[23]

Several practical implications of expectancy theory are shown in Table 15.1. The contents of the table are self-explanatory.

Table 15.1 **Application of Expectancy Theory**

Variable	*Objective*	*Applications*
E → P Expectancies	To increase the belief that employees are capable of performing the job successfully	• Select people with required skills and knowledge. • Provide required training and clarify job requirement. • Provide sufficient time and resources.

(*Contd*)

(*Contd*)

		• Assign simpler or fewer tasks until employees can master them. • Provide examples of similar employees who have successfully performed the tasks. • Provide counselling and coaching to employees who lack self-confidence.
P → O Instrumentalities	To increase the belief that good performance will result in valued outcomes	• Measure job performance accurately. • Clearly explain the outcomes that will result from successful performance. • Describe how the employee's rewards were based on past performances. • Provide examples of other employees whose good performance has resulted in higher rewards.
Valence of outcomes	To increase the expected value of outcomes resulting from desired performance	• Distribute rewards that employees value. • Individualise rewards. • Minimise the presence of countervalent outcomes.

Source: Steven L. McShane and Mary Ann Von Glinow, *op. cit.*, p. 77.

Secondly, expectancy model is a cognitive theory. Individuals are viewed as thinking, reasoning beings who have beliefs and anticipations concerning future events in their lives. They do not simply act impulsively. It is model which values human dignity.

Third, the expectancy theory helps managers see beyond what Maslow and Herzberg showed that motivation to work can only occur when work can satisfy *unsatisfied needs*. Vroom's theory implies that managers must make it possible for an employee to see that effort can result in appropriate need satisfying rewards. This may require special efforts, for example, affirmative action to correct the damage caused by any discriminative action in the past. In any case, it is necessary to build and maintain a climate of expectancies that will support requisite levels of motivation to work.

Despite its general appeal, the expectancy model has some problems. Like any newer model, it needs to be tested to learn how will research evidence support it. For example, the numerous relationships among the three variables is still open to question. It is also important to discover what kinds of behaviour the model explains and to which situations it does not very well apply.

Second, contrary to the assumption of the expectancy theory that individuals make decisions consciously, there are numerous instances where decisions are made with no conscious thought. This is particularly true for routine jobs. It is proved that people often make decisions and later try to rationalise them, rather than use the process indicated in the expectancy theory to make the decision in the first place.

Third, although Vroom's model emerges as an important theory of motivation, it has not been fully tested empirically. It is complex, and thus its validity is difficult to test in its entirety. Most studies that have attempted to test its validity have been only marginally successful. Some critics even argue that the theory has only limited use because it tends to be valid only in situations where the effort-performance and the performance-reward linkages are clearly perceived by the employees. Since many individuals in organisations are rewarded on the basis of seniority, education, job requirements and positions rather than on their actual performance, the theory tends to be idealistic.

Fourth, the model raised some fundamental questions.[24] Is it so complex that managers will tend to use only its highlights and not explore its details and implications? Will other managers ignore it altogether? Many managers in operating situations do not have the time or resources to use a complex motivational system on the job. However, as they begin to learn about it, perhaps they can use parts of it.

Limitations apart, the expectancy model is useful in as much as it serves as a heuristic decision tool to guide managers in dealing with the complexity of motivation in organisations. Motivation principles such as encouraging employee performance (valence and expectancy) and matching rewards to performance (instrumentality) can be drawn from the theory. These principles can be used to guide managers in designing organisational rewards, work systems, management by objective, and goal-setting.

Equity Theory

The equity theory is another process theory. The theory owes its origin to several prominent theorists like Festinger, Heider, Homans, Jacques, Patchen, Weick and Adams. However, it is Adams' formulation of the equity theory which is the most highly developed and researched statement on the topic. Therefore, Adams' formulation is considered here.

Like any other theory, the equity theory is also alternatively known as the 'social comparison' theory, or the 'inequity' theory. True to its name, the equity theory is based on the assumption that individuals are motivated by their desire to be equitably treated in their work relationships. When employees work for an organisation, they basically exchange their services for pay and other benefits. The equity theory proposes that individuals attempt to reduce any inequity they may perceive as a result of this exchange relationship. For example, if employees perceive that they are either overpaid or underpaid, they will be motivated to restore equity.

Four terms are important in the theory:

1. *Person* The individual for whom an equity or an inequity exists.
2. *Comparison other* Any group or individual used by a person as a reference regarding inputs and outcomes.
3. *Inputs* Characteristics which individuals bring with them to the job—education, skills, experience, and so on. These are subjectively perceived by a person.
4. *Outcomes* Pay, promotions, fringe benefits, and so on received from a job. These are also subjectively perceived by a person (*see* Table 15.2).

Table 15.2 **Examples of Inputs and Outcomes in Organisations**

Inputs	*Outcomes*
Age	Challenging job assignments
Attendance	Fringe benefits
Interpersonal skills	Job requisites
Communication skills	Job security
Job effort (long hours)	Monotony
Level of education	Promotion
Past experience	Recognition

(*Contd*)

(*Contd*)

Performance	Responsibility
Personal appearance	Salary
Seniority	Seniority benefits
Social status	Status symbols
Technical skills	Working conditions
Training	

Source: Don Hellriegel, *et al.*, *op. cit.*, p. 152.

The theory proposes that the motivation to act develops after the person compares inputs/outcomes with the identical ratio of the comparison other. Inequity is defined as the perception that person's job inputs/outcomes ratio is not equal to the inputs/outcomes ratio of the comparison other.

The basic equity proposal assumes that, upon feeling inequity, the person is motivated to reduce it. Further, the greater the felt inequity, the greater the motivation to reduce it. Thus, inequity as a motivation force will act as follows.

Individual perceives inequity → Individual experiences tension → Individual wants to reduce tension → Individual takes action

When attempting to reduce inequity, the person may try a number of alternatives, some of which are:

1. Person altering his or her inputs.
2. Person altering his or her outcomes.
3. Person distorting his or her inputs and outcomes cognitively.
4. Person leaving the field.
5. Person trying to alter or cognitively distort input and outcomes of the comparison other, which force him or her to leave the field.
6. Person changing the comparison other.

Figure 15.8 contains three different equity relationships: equity, negative inequity and positive inequity. Assume the two people in each of the equity relationships in Fig. 15.8 have equivalent backgrounds and perform identical tasks. Only their hourly pay rates differ. Equity exists for an individual when his or her ratio of perceived outcomes to inputs is equal to that of the comparison other (*see* Part A in Fig. 15.8). If the comparison other enjoys greater outcomes for similar inputs, negative inequity will be perceived (*see* Part B in Fig. 15.8). On the other hand, a person will experience positive inequity when his or her outcome to input ratio is greater than that of the comparison other (*see* Part C in Fig. 15.8).

It is not that the person feeling inequity alone gets motivated to restore equity. The person with a feeling of equity also gets motivated but to maintain the current situation.

? Pause and Ponder

Did you at any time experience sense of inequity? If yes, what steps did you take to restore equity?

Evaluation of Equity Theory

Like any other theory of motivation, the equity theory has advantages and limitations. On the advantages it may be stated that the theory has generated extensive research, with many of the results being supportive.

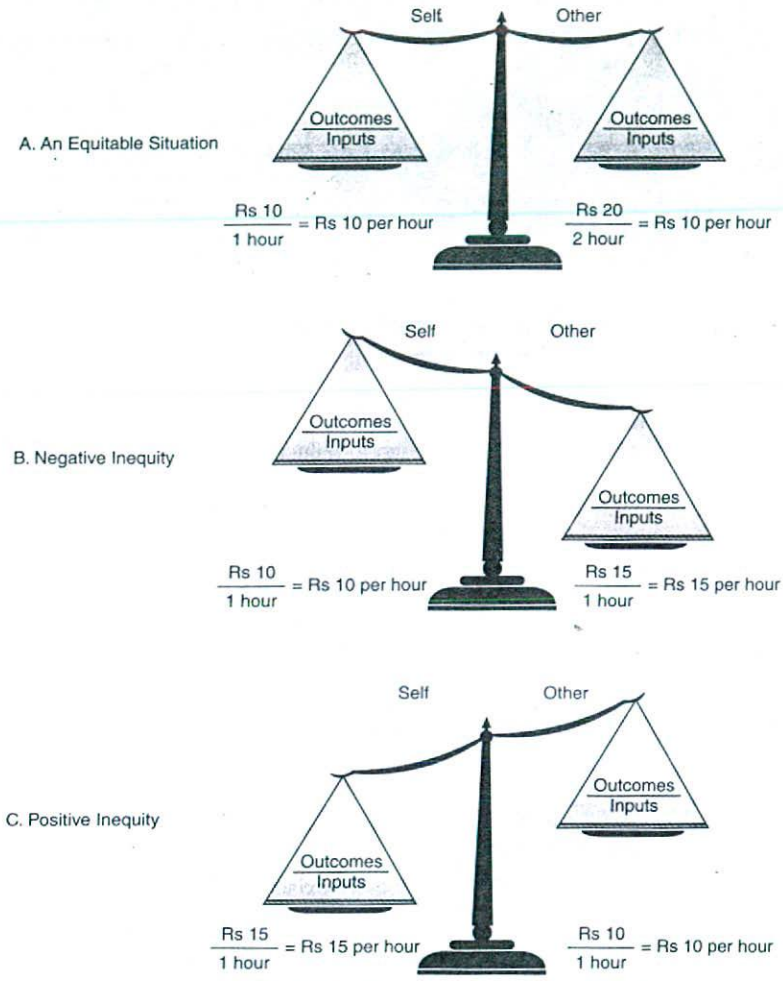


Fig. 15.8 Negative and Positive Inequity

Source: Adapted from *Organisational Behaviour* by Krietner, *et al.*, McGraw-Hill, 1998, p. 224.

Second, the theory recognises the influence of social comparison processes on motivation. Individuals are concerned not only with the absolute amount of rewards they receive for their efforts, but also with the relationship of this amount to what others receive. They make judgement as to the relationship between their inputs and outcomes and the inputs and outcomes of others. Any perceived injustice motivates them to restore equity.

Third, compared to the content theories, the equity theory adopts a realistic approach to motivation. The equity theory posits that a major share of motivated behaviour is based on the perceived situation rather than on the actual set of circumstances. Where Maslow saw behaviour largely as a result of personality need variables, and where Herzberg saw behaviour largely as the result of objective job-content and job-context factors, the equity theory generally argues that it is the perceived equity of the situation that stimulates

motivation and satisfaction. In other words, if an employee 'thinks' he or she is paid less than his or her co-workers for the same quantity and quality of work, he or she would, according to the equity model, be dissatisfied and would move to reduce the inequity through various means. Such a hypothesis is particularly interesting in view of several findings which indicate that workers generally tend to overestimate the salaries or benefits of others.[25]

The equity theory has its share of criticism. The central theme of the model is the judgement of fair treatment. The difficulty is that not everyone appreciates the concept of fairness equally. Equity predictions, therefore, are more likely to apply to people who are morally mature, that is, individuals guided by a normal system in which the fair distribution of rewards is a fundamental tenet.[26]

The theory is not clear about the areas mentioned below:[27]

1. Is a given factor, an input or an outcome? For example, 'responsibility' is viewed by some as an input and as output by others.
2. How does a person choose (or change) the comparison other?
3. Under what circumstances will each method of inequity resolution be used? The feeling of inequity may force one to quit the job, while it may force a change of the comparison other in another. Individual differences obviously influence this activity.
4. What is the relationship between inputs and outcomes? If (as seems likely) they are perceived by employees to be interrelated (e.g. more outcomes cannot be attained without additional inputs), the prediction of employee behaviour is more difficult.
5. Will the findings generated in laboratory experiments hold in actual organisations? One analyst of the equity theory has noted that most studies supporting it have been laboratory experiments with student subjects.

Regardless of these problems, the equity theory continues to offer us some important insights into employee motivation.

Performance-satisfaction Model

Porter and Lawler came out with a comprehensive theory of motivation. They posit that motivation, performance, and satisfaction are all separate variables and relate in ways different from what was traditionally assumed. Figure 15.9 shows the multivariable model of Porter and Lawler. As shown in the figure, boxes 1, 2 and 3 are basically the same as Vroom's equation. However, Porter and Lawler point out that an effort (force or motivation) does not directly lead to a performance. It is mediated by abilities, traits, and role perceptions. More important—in the Porter and Lawler model—is what happens after the performance. The rewards that follow and how they are perceived will determine the satisfaction.[28]

Evaluation of the Theory

The Porter and Lawler model is of great significance to managers since it offers the following guidelines to motivate their employees:

1. Place the right person on the right job (match abilities and traits of individuals to the requirement of the job).
2. Carefully explain to the employees what their roles are, and make sure that they understand their roles.
3. Prescribe in concrete terms the actual performance levels expected of the individuals.
4. Make sure that the rewards dispersed are valued by the employees.

The Porter and Lawler model has definitely made a significant contribution to the better understanding of work motivation and the relationship between performance and satisfaction. But to date, it has not had much impact on the actual practice of HRM.

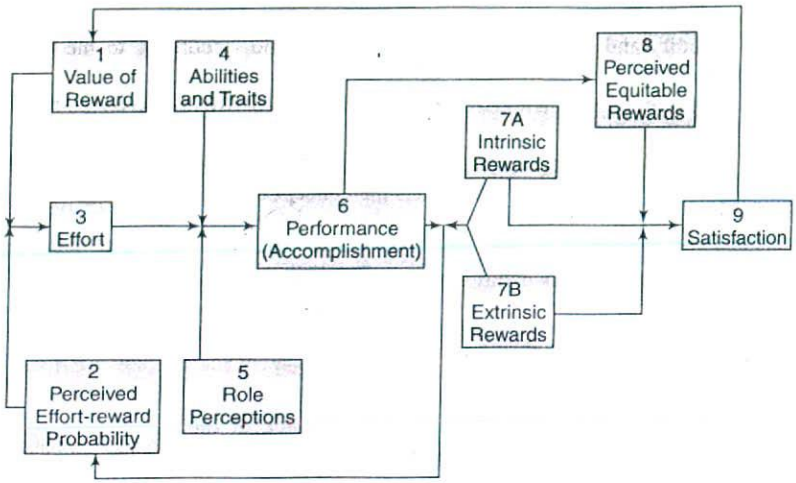


Fig. 15.9 The Porter and Lawler Model of Motivation

SUMMARY

Motivation is an important concept that has been receiving considerable attention from academicians, researchers and practising HR managers. In its essence, motivation comprises important elements such as the need or content, search and choice of strategies, goal-directed behaviour, social comparison of rewards, reinforcement, and performance-satisfaction.

The increasing attention paid towards motivation is justified because of several reasons. Motivated employees come out with new ways of doing jobs. They are quality oriented. They are more productive. Any technology needs motivated employees to adopt it successfully.

Several approaches to motivation are available. Early theories are too simplistic in their approach towards motivation. For example, advocates of Scientific Management believe that money is the motivating factor. The Human Relations Movement posits that social contacts will motivate workers.

Among the content theories, Maslow's need hierarchy, Herzberg's two-factor model and Alderfer's ERG approach are very popular. Maslow believes that there exists a hierarchy of needs, and a person gets motivated to satisfy them in the order of the hierarchy. Herzberg suggests that two distinct sets of factors affect motivation. Improve hygiene and provide motivators so that motivation takes place. This is the essence of Herzberg's theory. Alderfer has categorised the needs into three—existence, relatedness and growth needs. He argues that satisfied lower-level needs make an individual search for higher-level needs. At the same time, multiple needs can be operating as motivators. Furthermore, frustration at one level will push an individual down to lower-level needs.

McClelland's achievement motivation theory is yet another content theory. The theory posits that individuals are motivated by three needs—need for achievement, need for power, and need for affiliation. Of the three, need for achievement has a greater significance.

Process theories include Vroom's-expectancy approach, Adam's equity theory and Porter and Lawler's performance-satisfaction model. For Vroom, motivation is the product of three variables,

namely, valence (an individual's preference for an outcome), expectancy (his/her belief that effort will lead to task completion), and instrumentality (his/her conviction that performance will result in the desired outcome). Adam's equity theory stresses that an individual's motivation depends on his/her perceiving of inequity. Inequity is said to exist when his/ her ratio of outcome to input is lower than that of the others. Perceived inequity motivates him to restore equity. The performance-satisfaction model of Porter and Lawler postulates that valence and expectancy lead to effort. Effort accompanied by ability, skill, and role clarity will lead to performance which finally leads to satisfaction.

Though no single theory is successful in bringing out all the complexities of motivation, all of them collectively help us understand the behaviour of employees.

KEY TERMS

Comparison other
Content theories
Equity
Expectancy
Human relations
Hygiene factors
Instrumentality
Motivation
Motivators
Need hierarchy
nAch
nPow
Rabble hypothesis
Valence
Scientific management

REVIEW QUESTIONS

1. What is motivation? Why is it a critical issue of interest to managers in organisations? Compare and contrast Maslow's need hierarchy theory with Herzberg's two-factor theory of motivation.
2. What is the ERG theory of motivation? Discuss its merits and limitations.
3. What is the essence of Vroom's expectancy model of motivation?
4. What do you understand by equity theory of motivation? What are the ways of restoring equity to situations of inequity?
5. Bring out the essence of Porter and Lawler's theory of motivation. Do you think that the model is comprehensive? Yes or No? justify.

DISCUSSION QUESTIONS

1. Critically examine the need hierarchy theory of motivation.
2. Think of a person who, in the past, did an excellent job of motivating you. Which of the following approaches did he use? Why?
   (i) Lower-order or higher-order needs?
   (ii) Motivational or maintenance factors?
   (iii) ERG needs?
   (iv) Behaviour modification?
3. Critically examine the Achievement-Motivation theory.
4. Name two outcomes in your job or classroom that have negative valence for your personality. How does a knowledge of these help someone who is trying to motivate you?

5. Discuss some organisational problems that might be resolved using the motivational models discussed in this chapter. What are the potential problems in using the theories?
6. Comment on Fig. 15.1.
7. Discuss the difficulties that are encountered when managers use motivation theories (e.g. equity and expectancy) that rely on subjective employee responses.
8. Refer to the opening case. Assume you are the manager of the HR department. Write a response to the memo. Use any theory of motivation described in this chapter in support of your response.

Closing Case

The Resentful Emloyee

It was a bitterly cold night, and even at the far end of the bus the east wind that raved along the street cut like a knife. The bus stopped, and two women and a man got in together and filled the vacant places. The younger woman was dressed in sealskin, and carried one of those little Pekinese dogs that women in sealskin like to carry in their laps. The conductor came and took the fare. Then his eye rested with cold malice on the beady-eyed toy dog. 1 saw trouble brewing. This was the opportunity for which he had been waiting, and he intended to make the most of it. I had marked him as the type of what Mr. Wells has called the Resentful Employee, the man with a general, vague grievance against everything, and in particular, a grievance against passengers who came and sat in his bus while he shivered at the door.

"You must take that dog out", he said with sour venom.

"I shall certainly do nothing of the kind. You can take my name and address", said the woman, who had evidently expected the challenge and knew the reply.

"You must take the dog out—that is my order".

"I won't go on the top in such weather. It would kill me", said the woman.

"Certainly not", said her lady companion. "You have got a cough as it is".

"It is nonsense", said her male companion.

The conductor pulled the bell and the bus stopped.

"This bus does not go on until that dog is brought out". And he stepped on the pavement and waited. It was his moment of triumph. He had the law on his side and a bus-full of angry people under his thumb. His embittered soul was having a real holiday.

The storm inside rose high. "Shameful", "Why is not he in the army?" "Call the police", "Let us all report him", "Let us make him give us our fares back", "Yes, that is it, let us make him give us our fares back". Everybody was on the side of the lady and the dog.

That little animal sat blinking at the dim lights in happy unconsciousness of the rumpus of which he was the cause.

The conductor came to the door. "What is your number?" Said one taking out a pocket-book, with a gesture of terrible things, "There is my number", said the conductor imperturbably. "Give us our fares back—you have engaged to carry us—you can not leave us here all night". "No fares back", said the conductor.

Two or three of the passengers got out and disappeared into the night. The conductor took another turn on the pavement, then went and had a talk with the driver. Another bus, the last on the road, sailed by, indifferent to the shouts of the passengers to stop. "They stick by each other, the villains", was the comment.

Some one pulled the bell violently. That brought the driver round to the door. "Who's conductor of this bus?" He said, and paused for a reply. None coming, he returned to his seat and resumed beating his arms across his chest. There was no hope in that quarter. A policeman strolled up and

looked in at the door. An avalanche of indignant protests and appeals burst on him. "Well, he has got his rules you know", he said generally. "Give your name and address", "That is what he is being offered and he won't take it". "Oh", said the policeman, and he went away and took his stand a few yards down the street, where he was joined by two more constables.

And still the little dog blinked at the lights, and the conductor walked to and from on the pavement like a captain on the quarter-deck in the hour of victory. A young woman whose voice had risen high above the gale inside, descended on him with an air of threatening and slaughter. He was immovable as cold as the night and hard as the pavement. She passed on in a fury of importance to the three policemen who stood like a group of statuary up the street watching the drama. Then she came back, imperviously beckoned her "Young man" who had sat a silent witness of her rage, and vanished. Others followed. The bus was emptying.. Even the dashing young fellow who had demanded the number, and who had declared he would see this thing through if he sat there all night, had taken an opportunity to slip away.

Meanwhile the Pekinese party was passing through every stage of resistance to abject surrender. "I will go on the top", said the sealskin lady at last. "You must not." "I will". "You will have pneumonia". "Let me take it" (This from the man). "Certainly not—she would die with her dog". When she had disappeared up the stairs the conductor came back, pulled the bell, and the bus went on. He stood sourly triumphant while his conduct was savagely discussed in his face by the remnant of the party.

Then the engine struck work, and the conductor went to the help of the driver. It was a long job, and presently the lady with the dog stole down the stairs and re-entered the bus. When the engine was put right the conductor came back and pulled the bell. Then his eye fell on the dog and his hand went to the bell-rope again. The driver looked around, the conductor pointed to the dog, the bus stopped, and the struggle recommenced with all the original features, the conductor walking the pavement, the driver smacking his arms on the box, the little dog blinking at the lights, the sealskin lady declaring that she would not go on the top and finally going.

Questions

1. Which theory of motivation do you use to motivate the bus crew? Why?
2. If you were the conductor what would you do?
3. If you were the lady with the pet dog, what would you do?
4. Role play (a) the conversation between the conductor and the lady with sealskin, (b) between policeman and the fellow passengers, and (c) between the conductor and the driver.

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CHAPTER 16

Motivation in Action

LEARNING OBJECTIVES

After reading this chapter you should have a good understanding of:

- The specific ways which could help the HR manager motivate his/her subordinates
- How rewards; job design; quality of work-life; empowerment, and the like can help motivate the employees

Opening Case

A FAMILIAR PROBLEM

Let us look at a couple of situations that will surely resonate with most managers. First, consider the problem facing Annette. She is a senior designer at a large publishing and graphic design business, with dotted-line responsibility for Colin, a project team member. Something of a maverick, Colin nonetheless has a good work history. But the team is feeling the heat because the company restructured it to reduce costs and speed up turnaround times. Colin's behaviour is becoming increasingly problematic, or so Annette and Dave, the project manager and Colin's other boss, see it. Colin seems to be shirking work, and when he does complete assignments, he doesn't report back to his bosses. To Annette, Colin's behaviour doesn't just reflect his inherent disregard for rules and procedures, it also signifies a reluctance to take on further assignments. After discussing the situation with Dave, Annette decides that she will talk to Colin because she has a better relationship with him.

Annette's strategy is to motivate Colin by appealing to his sense of responsibility to the team. When she meets with him and tries to get him to accept this line of reasoning, Colin agrees to do what Annette wants. However, she doesn't get the feeling that her argument has made any impact. In her opinion, Colin is in his comfort zone. He supports the other team members, even helps them to solve their problems, but at the expense of fulfilling his own responsibilities. Annette wonders whether Colin has become a misfit in the new structure and will have to leave. Perhaps she should give him a formal warning at his annual appraisal, or may be she should transfer him to a less demanding job, in effect demoting him.

Here is another case. Paolo works in eastern Europe as a country manager for an international property developer. George, a chartered accountant with an MBA, is a direct recruit whose job is to sell plots of land and develop strategic alliances with local companies. George is fairly new to this position, having previously worked in a back office role overseeing customer's accounts. Although George is pleasant and enthusiastic,

his performance is subpar and shows no signs of improvement. In fact, George is yet to sell a plot of land. In his dealings with potential partners, the garrulous George acts as though his bonhomie is all he needs to cut a deal. And the deals he does manage to make turn out to be ill considered and costly.

Because of these issues, Paolo meets with George several times to try to get him to change his ways. George responds with encouraging smiles, plausible excuses, and a commitment to Paolo that things will change, but nothing does. In the final analysis, Paolo decides that George is slippery and lazy. Despite promises, George refuses to adopt a different negotiating style, and he obviously isn't prepared to do the detailed research required to appraise a deal. Exasperated, Paolo decides to issue George an ultimatum to improve his game or get out. But firing George would be an expensive option; people with his background and skills are difficult to find in this part of the world.

Poor Paolo. He can almost smell the failure likely to result from a confrontation. He will continue to get reassurances from George, but will he ever get George to change his ways and be accountable for his performance ? Poor Annette. If only she could convince Colin to improve his attitude, she could hold on to a potentially valuable team member. No matter how reasonable Annette's argument is, will she be able to get Colin to behave differently? [1]

Every organisation will have Colins and Georges who are problem employees and who need to be motivated. This chapter provides tips to motivate employees in organisations, including the problem employees.

In the previous chapter, the nature and theories of motivation were described in detail. However, a knowledge about the theories, though useful, is not enough to motivate employees. A manager must know specific ways which help him/her to motivate his/her subordinates. There are several practices and applications for motivating employees. Some of them are rewards, job design, empowerment, participative management, motivation of problem people, quality of work life and others.

REWARDS

People join organisations expecting rewards. Firms distribute money and other benefits in exchange for the employee's availability, competencies and behaviours.

Figure 16.1 identifies four types of rewards: membership and seniority, job status, competency and performance.[2]

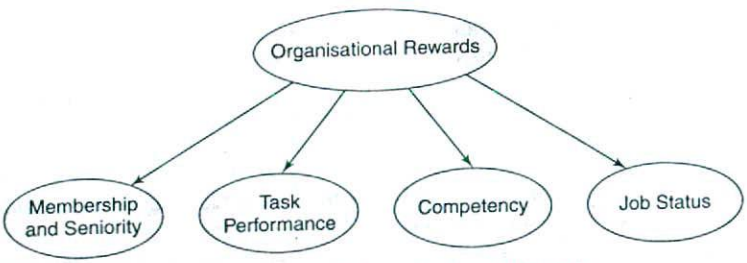


Fig. 16.1 Types of Organisational Rewards

Membership and Seniority-based Rewards

Benefits an employee receives depend on the firm which he or she joins. An MBA taking up a job in Wipro or Infosys gets more benefits than the boy or girl who joins a state government undertaking.

In the same firm, a senior employee receives more benefits than his or her junior employee. Advancement, pay raises, retirement benefits and perquisites depend on seniority of an employee.

There are advantages and limitations associated with membership and seniority based rewards. Membership based rewards attract job applicants but the problem is such rewards may not directly motivate job performance. Seniority based rewards tend to reduce turnover but may fail to motivate achievers to perform better. Another problem with membership-based rewards is that they discourage poor performers from leaving the firm voluntarily because alternative jobs are simply not available to them.

Job Status-based Rewards

Job-status based rewards depend on the status of the job an individual holds. Job status (relative worth) is determined with the help of job evaluation.

Every firm rewards employees for the status of the jobs they are holding. Firms use *job evaluation* system which helps establish differentials in status of jobs. Status differentials are used as the basis for establishing salary/wage differentials. Jobs that require more skill and effort, have more responsibility and have difficult working conditions would have more value and consequently would be placed in higher pay grades. Firms that do not use job evaluation system still reward job status based on pay survey information about the labour market.

A supervisor will receive higher rewards than a purchasing assistant as the job of the former enjoys better status than the latter. It has more value to the organisation (calculated by job evaluation system or pay survey) and therefore employees in that job receive more status-based rewards in the organisation. High status job holders are also rewarded with more perquisites.

One advantage of status-based pay is that it helps maintain feelings of equity. Job evaluation systems try to maintain *internal equity*, that is, to ensure that employees feel their pay is fair when compared to how much other jobs in the firm are paid. Pay surveys help maintain *external equity*, that is, ensure that employees feel their pay is fair when compared to how much people in other firms are paid.[3] Job-based rewards also motivate employees to compete for positions higher up the organisational hierarchy.

Job-based rewards are criticised by many. For one thing, such benefits fail to motivate achievers to perform better. Just because an employee holds a high priced job, he or she is rewarded better, notwithstanding the level of performance attained by the individual. Further, employees tend to exaggerate their job descriptions and job specifications to garner higher grading for their job through job evaluation systems. Higher grades confer higher rewards on the jobs.

Competency-based Rewards

Increasingly organisations are linking rewards to competencies of employees. Competencies are reflected through skills, knowledge and traits that lead to desirable behaviours. Employees are expected to have several competencies and these competencies are evaluated by observing specific behaviour patterns.

Where rewards are linked to competencies what emerges is the skill-based pay. In the skill-based pay, employees are paid on the basis of number of jobs they are capable of discharging, or on the depth of their knowledge. The purpose of this system is to motivate employees to acquire additional skills so that they become more useful to the organisation.

Competency-based rewards have merits. They have been praised for developing a better-skilled and flexible workforce. Customer needs are met more quickly. Employees can handle any job with felicity. Product or service quality tends to improve because employees who have work experiences in several jobs are more likely to know where problems originate. Moreover, employees find it easier to discover ways to improve the work process as they learn more skills and tasks in the process. Rather than paying for jobs, skill-based pay rewards skills, underlying the principle that employees are hired for their skills and not just to hold jobs.

Skill-based rewards, however, result in pay disparities which may demotivate employees. They are also expensive.

Performance-based Rewards

The trend that is emerging recently is to link pay to performance rather than to seniority or membership. Firms in N. America, Europe and Asia are paying their employees more for performance than ever before. For instance, in a recent survey of 210 large firms in Tokyo, Japan, 24 per cent awarded pay increases on the basis of performance than seniority.[4]

Performance-based rewards are many, but the most common among them are:

Organisational rewards	→	Profit sharing
		Stock options
Team rewards	→	Gain sharing
		Special bonuses
Individual rewards	→	Piece rate
		Commission
		Merit pay
		Bonuses

Profit sharing is an organisational performance-based reward. In profit sharing, designated employees are allowed to share in the profit earned by a company. *Employees stock option schemes (ESOPS)* confer ownership of the firm on employees. ESOPS encourage employees to buy shares of the company and reward them through dividend and market appreciation of the shares.

Team rewards are common where firms rely on teams to get the work done. Some teams are rewarded with special bonuses or gifts if they collectively achieve specific goals. A *gain sharing plan* is a type of team reward that motivates team members to reduce costs and increase labour efficiency in their work process. Gain sharing plans use a predetermined formula and calculate cost savings and pay bonus to all team members. Typically, the company shares the cost savings with employees.

Gain-sharing plans seek to reward team perfor-mance. The gain sharing plan uses a pre-determined formula to calculate cost savings and other gains and pays bonus to all team members. The objective of gain sharing is to reduce cost and increase productivity.

Individual rewards are quite common in organisations. The most common is the *piece rate* which links pay to the units produced by an employee. *Commissions* are paid to sales people on the actual sales shown by them. *Merit pay* is based on an individual's performance. This is gradually replaced by reearnable *bonuses* for accomplishing specific tasks or for achieving certain goals. Although these bonuses are often determined from team or organisational performance, they may also result from satisfactory completion of individual goals.

Are rewards, particularly monetary rewards, really motivators? Put in another way, does money motivate employees? The answer is 'yes' and 'no'.

Money is understood to be a powerful motivator for more than one reason. In the *first* place, money is fundamental for completion of a task. Work, unless it is voluntary or "play", involves a contract between two parties "guaranteed" by the payment of money. The employee takes pay as the reward for his or her work, and the employer views it as the price for using the services of the employee.

Second, as a medium of exchange, money is the vehicle by which employees can buy numerous need-satisfying goods and services they desire. *Third*, money is one of the hygiene factors, and improving maintenance factors is the first step in efforts directed towards motivation. *Fourth*, money also performs the function of a "score card" by which employees assess the value that the organisation places on their services and by which employees can compare their "values" to others. *Fifth*, reinforcement and expectancy theories

attest to the value of money as a motivator. In the former, if pay is contingent upon performance, it will encourage workers to high levels of effort (*see* Fig. 16.2). Consistent with the expectancy theory, money will motivate to the extent that it is seen as being able to satisfy an individual's personal goals and is perceived as being dependent upon performance criteria.

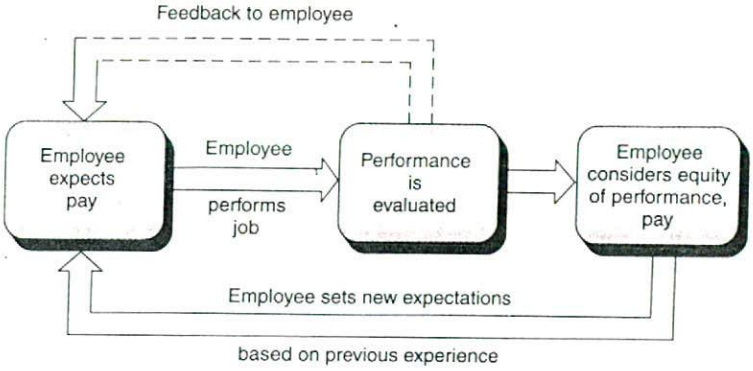


Fig. 16.2 Pay and Performance—Relationship

Sixth, money acts as a punctuation in one's life. It is an attention-getting and effect-producing mechanism. Money has, therefore, tremendous importance in influencing employee behaviour. *Seventh*, money is easily vulnerable for manipulation. Other factors like satisfaction, responsibility, a challenging job and the like are nebulous. Payments and the plans with which they are linked are manipulatable. *Finally*, money will be a powerful motivator for a person who is tense and anxious about lack of money. Many worries and concerns are financially based. It is relaxing to receive sufficient money to clear the outstanding bills and past debts which have been causing tensions.

But behavioural scientists think otherwise. They downgrade money as a motivator. They prefer, instead, other techniques such as challenging jobs, goals, participation in decision-making and other non-monetary incentives for motivating employees. The opposition of behavioural scientists to money as a motivator is understandable for at least six reasons. *First*, money is not important to all people. High achievers, for example, are intrinsically motivated. Money has little impact on such people. *Second*, people fail to see a direct linkage between monetary rewards and performance. In these days of unionisation, protective legislation, seniority based promotions, and the cost of living indexation, pay raises do not depend on performance. *Third*, for money to motivate the difference in pay increases between a high performer and an average performer must be significant. In practice it rarely is. *Fourth*, management must have the discretion to reward high performers with more money. This is not possible, thanks to strong unionisation. *Fifth*, relationships among employees are often ruptured because of the scramble for monetary rewards. *Finally*, financial incentives discourage risk-taking propensity of people. Whenever people are encouraged to think about what they will get for performing a task, they become less inclined to take risks or explore possibilities.

The conclusion is that money can motivate some people under some conditions. Put in another way, money cannot motivate all people under all circumstances. Studies too attest to the same assertion. Saiyadain and Monappa,[5] for example, found that only 33 per cent of managers chose their jobs for remuneration. In another study conducted by Mirza S. Saiyadain[6] it was concluded that 72 per cent of the students who opted for management education gave challenging jobs and freedom to make decisions as predominant reasons, while money was indicated by only 55 per cent. In the same study, 23 per cent of the engineers with one to

seven years experience, in a state electricity board, indicated money to be important, while job content variables and supporting services were perceived as more important.

In yet another study conducted by the leading management consultancy firm, A. F. Ferguson and Co., it was revealed that only 14.8 per cent of MBAs and engineering graduates preferred remuneration as the reason for joining particular organisations. The study also revealed that 48 per cent wanted growth opportunities, 24 per cent desired job contents, 6.6 per cent expected company culture to be good and 6.6 per cent went by company image.

JOB DESIGN

Besides rewards, HR specialists emphasise the job itself as a source of motivation. The process of assigning tasks to a job, including interdependency of those tasks with other jobs, is called *Job Design*.[7] A job is a set of tasks assigned to and performed by one person. Some jobs have very few tasks, each requiring limited skill or effort. Other jobs include a very complex set of tasks and can be accomplished by only a few highly trained professionals.

Job design is the process of assigning tasks to a job, including interdependency of those tasks with other jobs. Some jobs have very few tasks whereas others will have complex set of tasks.

Job design has a critical impact on organisation and employee objectives. From the organisation's perspective, the way tasks and responsibilities are grouped can affect productivity and costs. Jobs that are not satisfying or are too demanding are difficult to fill. Boring jobs may experience higher turnover. For an employee, motivation and job satisfaction are effected by the match between job factor (content, qualifications and rewards) and personal needs. A thoughtful job design, therefore, can help both the organisation and its employees achieve their objectives.

On the other hand, poorly designed jobs may lead to lower productivity, employee turnover, absenteeism, complaints, sabotage, unionisation, resignations and other problems.

It was Herzberg who conceived job design as an important instrument to motivate employees. Since then, job design has been used extensively all over the world.

Various approaches to job design were explained in Chapter 5. Approaches to job design such as job rotation, job enlargement and job enrichment may help motivate employees, but they fail to bring out the person job fit. What needs emphasis in job design is to focus on the individual and the interaction between him or her and specific attributes of the job. Such an approach to job design will make the job highly motivated.

The Job Characteristics Model developed by Richard Hackman and G R Oldham seeks to bring the job close to the person. Figure 16.3 outlines the Job Characteristics Model. This model suggest that five core job characteristics result in the employee experiencing three favourable psychological states, which in turn lead to positive outcomes. (See Fig.16.3.) The five core job characteristics are explained as follows:

1. **Skill variety**: The degree to which a job includes difficult activities and involves the use of multiple skills and talents of the employee.
2. **Task identity:** The degree to which the job requires completion of a whole and identifiable piece of work that is doing a job from beginning to end with a tangible outcome.
3. **Task significance:** The degree to which the job has a substantial impact on the likes or work of other people.
4. **Autonomy:** The degree to which the job provides the employee with substantial freedom, independence and discretion in scheduling the work and in determining the procedure to be used in carrying it out.
5. **Feedback:** The degree to which the employee possesses information of the actual results of his or her performance.

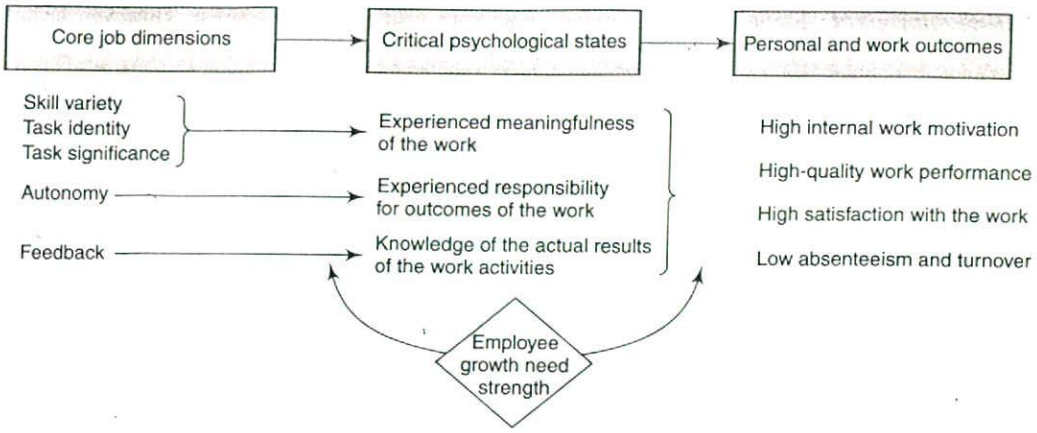


Fig. 16.3 Job Characteristics Model

(*Source:* Debra L Nelson, et al., *Organizational Behaviour*)

Hackman and Oldham's model seeks to integrate the five job characteristics to give an overall Motivating Potential Score (MPS) for each job's potential for motivating the incumbents.

An individual's MPS is determined thus[8]

$$\text{MPS} = \frac{(\text{Skill Variety}) + (\text{Task Identity}) + (\text{Task Significance})}{3} \times (\text{Autonomy}) \times (\text{Feedback})$$

The Job Characteristics Model contains a moderator - growth need strength. This moderator explains why jobs theoretically high in MPS will not automatically generate a high level of motivation and satisfaction for all workers. This means that employees with a low growth need are less likely to experience a positive outcome when their job is enriched.

The job characteristics theory further suggest that core job dimensions stimulate three critical psychologies states based on the relationship specified in the model.

The three critical psychological factors are:

1. **Meaningfulness of the work:** The extent to which the employee experiences the job as the one which is meaningful, valuable and worthwhile.
2. **Responsibility for work outcomes:** The extent to which the employee feels accountable for the outcome of the work he or she does.
3. **Knowledge of results:** The extent to which the employee has feedback on his or her performance on the job.

Hailed as highly relevant approach to job design, the Job Characteristics Model has been empirically tested with the results being supportive of the theory.

Contemporary Issues in Job Design

Telecommuting, task revision and skill development are the contemporary issues to job design which firms use to motivate their employees.

Telecommuting facilitates the employees work away from company's main location. Telecommuting may extend working in a combination of satellite, office and main office locations. This approach facilitates better fit between organisation's demands and employee expectations.

Task revision seeks to modify an incorrectly designed job. Where there is role ambiguity task revision seeks to rectify it and make the task more specific and meaningful. Task revision is a form of role innovation that modifies the job to achieve better performance.

Skill development Employees are constantly trained to gain technical expertise. However, technical skills alone are not enough. The trend now-a-days is that the economy is increasingly becoming service oriented. Service oriented jobs demand interpersonal skills from the incumbents. Any job design effort needs to consider employee skill development, (particularly the soft skills) besides work demands. Job design and employee skill development are interrelated.

EMPOWERMENT

Empowerment is one of the concepts discussed much in HRM. Empowerment is what young job aspirants are looking for in organisations. More than monetary rewards, it is the feeling that employee 'owns' the job that motivates him or her nowadays. Empowerment may be understood as "a process of enhancing feelings of self-efficacy among organisational members through the identification of conditions that foster powerlessness and through their removal by both formal organisational practices and informal techniques of providing efficacy information". Empowered employees are energetic and passionate. They aspire to do better job because they get personally rewarded for doing so.

Empowerment is the process of enhancing feeling of self-efficiency and a sense of 'owing' a job.

Empowerment consist of five stages. (See Fig. 16.4.) The first stage involves identifying—the conditions existing in the organisation that lead to feelings of powerlessness on the part of organisational members. These conditions manifest through poor communication, centralised resources, authoritarian styles of leadership, low incentive value rewards, low task variety and unrealistic performance goals. Diagnosis being completed as suggested above, the next stage is to introduce empowerment strategies and techniques. Use of participative management, implementing merit-pay systems and job enrichment are examples of possible empowerment practices.

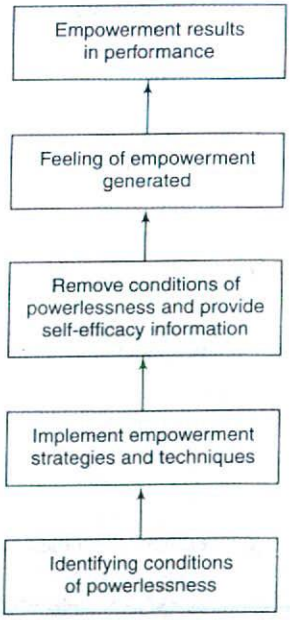


Fig. 16.4 Empowerment Stages

The use of the programmes (stated above) is designed to accomplish two objectives in the third stage. One is simply to remove the conditions identified in the first stage as contributing to powerlessness. The second, and more important, is to provide self-efficacy information to subordinates. Self-efficacy describes a belief in one's effectiveness. Individuals high in self-efficacy tend to be confident and self-assured and feel they are likely to be successful in whatever endeavours they undertake.

Receiving such information results in feelings of empowerment in the fourth stage. This is because increasing self-efficacy straightens effort-performance expectancies (*see* expectancy theory of motivation in the previous chapter). Finally, the enhanced empowerment feelings from stage four are translated into performance in the fifth and final stage. These behavioural consequences of empowerment include increased activity directed towards task accomplishment.

Empowerment is facilitated by a combination of factors including values, leadership, job structure and reward systems as will be explained in Chapter 17.

Empowerment occurs when power of decision-making and authority to share resources go to employees who then experience a sense of ownership and control over jobs. Empowered employees know that their jobs belong to them. Given a say on how things are done, employees feel more responsible. When they feel responsible, they show more initiative in their work, get more done and enjoy the work more.

Empowerment demands team formation. Teams, thus formed, are called self-directed or simply empowered teams. Wipro Corporation has nearly 30 such teams and Titan, ABB, Tata Information Systems too have their own empowered teams. The 60,000 tonnes per annum polyster filament yarn plant of Reliance at Hazira went on stream within 14 months mainly because its technical teams were empowered to make critical decisions at the worksite.

Information sharing is another building block of empowerment. Employees need to be informed about the business and demonstrate how their work fits in. One of the most important measures of job satisfaction is whether employees find meaning in their work—if they know what they are working towards and understand how their work affects other employees and the organisation as a whole.

The following tips may be useful in empowering employees:

1. Delegate responsibility and along with it authority.
2. Replace the role of managerial 'parent' role with that of 'partner' role.
3. Have tolerance for mistakes committed by subordinates. Demonstrate this tolerance through deeds and words.
4. Share information with subordinates. Empowered employees need sufficient information to get full perspective.
5. Allow teams to form. Teams are the best vehicles to empowerment.
6. Performance feedback is always important: it is particularly important for newly empowered employees. Feedback enhances learning and can provide needed assurance that the job is being mastered.

Empowerment needs to be implemented with caution. Ajit Nambiar, CMD—BPL, realised this after it was too late. After he became CMD of BPL in November 1999, he delegated a lot of responsibility to subordinates unlike his father. This proved Ajit's undoing as the company lost heavily. Where employees suffer from inflated egos and are highly self-centred, empowerment does not work. Many employees entertain the feeling that they are subjected to be led and not to lead. Empowerment has no appeal to such subordinates. When employees look for secured but not challenging jobs, empowerment sounds hollow.

? Pause and Ponder

Have you come across a situation or an instance (may be at home, in the college or in a corporate set up) where empowerment has proved to be successful? Prepare a brief write up.

PARTICIPATIVE MANAGEMENT

Participative management is yet another motivational tool used by managers to motivate employees. It refers to the association of workers and their representatives with the decision-making process.

At what level of decision-making can participation be allowed is a relevant question. There are three groups of managerial decisions which have a direct impact on employee behaviour. They are social, economic and personnel decisions. Economic decisions include financial aspects—the methods of manufacturing, shut-down, lay-offs, mergers and other similar functions. Personnel decisions refer to employee hiring, promotions, demotions, transfers, job design and the like. Social decisions relate to hours of work, welfare measures, safety and health. The answer to the question raised above is that employees should be allowed to participate in all these decisions.

When subordinates are involved in decision-making at all levels, the resultant concept is **participative management**.

In practice, participation by employees is effected through several methods like:

- Participation at the board level
- Participation through share ownership
- Participation through joint councils, committees and work councils
- Participation through collective bargaining
- Participation through job enlargement and job enrichment
- Participation through quality circles
- Participation through empowered teams

The main benefit of participative management is that the employee identifies himself/herself with the job and organisation and this leads to improved motivation and enhanced task performance. Participation leads to reduced conflict and stress, more commitment to goals, better acceptance of change, and improved communication. It is not difficult to explain why participation motivates. It is almost a matter of common sense that human beings will take greater pride and pleasure in their work if they are allowed participatory freedom in shaping the policies and decisions which affect their work. The next chapter contains more details on participative management.

PROBLEM EMPLOYEES

Colin and George (read opening case) are typical problem employees and are not the only ones. Nor there is any organisation which is free from problem employees. Motivating problem employees is obviously a challenge to managers like Annette and Paolo. Managers need to understand that it is very difficult to control the actions of problem people. It is also impossible to change them.

Four principles need to be satisfied. They are:

1. Everyone has motivational energy. Although many problem employees display a marked lack of drive and commitment in their jobs, these qualities are usually alive and well in other areas of their lives;
2. The energy which the problem employees possess is often blocked in the workplace. The blockage may occur because of new and sudden steess at home or frustrated dreams or broken promises at work;
3. Removing blockage of energy requires people's participation. To motivate an employee to work towards organisational goals, it is necessary to find his or her locus of energy and leverage it. Instead of pushing solutions on people with the force of argument, the manager should pull solutions out of them;
4. Beyond a certain point, there is no need to show mercy to problem people.

The following are some tips to deal with problem employees:

1. Try to reach out to the employee even if it appears to be a climb down on the boss' part. This is necessary in the interest of the organisation. Failing this, think of the next.
2. Change the place of work. Probably a new boss, new peers and a new environment may change the employee. Failing this, think of the next.
3. Issue verbal threats—threats of severe actions. Severity of actions contemplated to vary from workers to managers. Higher the hierarchy, graver the severity. Failing this, think of the next.
4. Translate threats into actions. If problem employees are workers, suspension may work. If the problem employees are managers, sack them.

Just as there are problem employees, there are individuals who are committed and motivated but who often go unnoticed, recognised and rewarded, particularly in large organisations. Files move, work goes on, activities and functions continue to take place in organisations because of such employees.

Popularly called B players, they exhibit unique characteristics as described in Table 16.1.

Table 16.1 **Profile of B Players**

• They are not stars. Neither are they laggards. They do their jobs competently, steer the course, and define the organisation's values and culture.
• They receive the least attention from the top management, since they are unambitious and unexciting.
• They make up 80 per cent of any company's bell curve.
• The B player is the wheel in an organisational machine that never squeaks and hence never gets any lubricant.
• They maintain perfect work-life balance.
• They differ from stars (A players) not in intelligence but in drive and attitude.
• They stick on with an organisation, because they value the camaraderie and security of a known team. But they do leave, when things are mismanaged.
• They are the sold citizens, the juggernauts who give stability to organisations.

Like problem employees, B players need to be handled carefully. Organisations are taking notice of B players and have unique policies to manage them. Coca-Cola India, for example, regularly does an analysis based on performance feedback, dividing employees into five levels—high potentials, promotables, matches, mismatches and non-performers. The 'matches' form Coke's majority B group. The company has career paths for all B players.

Hindustan Unilever has created a special category for the top employees within the B category. Popularly called the sustained high performers (SHPs), these individuals get the same increments as the top 15 per cent of high potentials.[9]

QUALITY OF WORK LIFE

Quality of work life is ensured when members of an organisation are able to satisfy their important personal needs through their experiences in the organisation.

The term 'quality of work life' (QWL) has different connotations to different persons. For example, to a worker in an assembly line, it may just mean a fair day's pay, safe working conditions, and a supervisor who treats him/her with dignity. To a young new entrant, it may mean opportunities for advancement, creative tasks and a successful

career. To academics it means the degree to which members of work organisation are able to satisfy important personal needs through their experiences in the organisation.

There are many factors which can contribute to QWL. They are:

1. Adequate and fair compensation, adequacy to the extent to which the income from a full-time work meets the needs of the socially determined standard of living.
2. Safety and healthy working conditions, including reasonable hours of work and rest pauses, physical working conditions that ensure safety, minimise risk of illness and occupational diseases and special measures for protection of women and children.
3. Security and growth opportunity, including factors like security of employment, and opportunity for advancement and self-improvement.
4. Opportunity to use and develop creativity, such as work autonomy, nature of supervision, use of multiple skills, workers' role in the total work process and his/her appreciation of the outcome of his/her own efforts and self-regulation.
5. Respect for the individuals' personal rights, such as application of the principles of natural justice and equity, acceptance of the right to free speech, and right to personal privacy in respect of the workers' off-the-job behaviour.
6. Work and family life, including transfers, schedule of hours of work, travel requirements, overtime requirements, and so forth.

It is worth noting that often the conditions that contribute to motivation (equitable salaries, financial incentives, effective employee selection, etc.) will also contribute to QWL. Some of these activities (like job enrichment) might contribute indirectly to QWL by tapping the worker's higher-order needs, and motivating them. Still, other activities may contribute directly to QWL providing for a safer workplace, less discrimination on the job, and so forth.

OTHER MOTIVATIONAL TECHNIQUES

Other motivational techniques used in organisations to influence employee performance include management by objective (MBO), flexible working hours, two-tier pay systems, flexible benefits, and the like.

MBO refers to a formal set of procedures that begins with goal setting and contributes through performance review. The key of MBO is that it is a participative process, actively involving managers and subordinates at every organisational level. Propounded by Peter F. Drucker in 1954, MBO has motivational potentials because the participants become ego-involved in decisions they have made. They tend to accept the decisions as their own and feel personally responsible for implementing them.

A system of *flexible working hours*, also called flexitime, to suit the convenience of individual employees, has often been pointed out as one of the techniques of motivation. Various work weeks are being used, all with the aim of lengthening the leisure between work periods. Most common are the four-day, 40-hour week with three days off (4/3); the three-day, 36-hour week with four days off (3/4); and the seven-day, 70-hour week with seven days off (7/7). Of these, the 4/3 arrangement is highly popular.

The benefits claimed for flexitime are numerous. They include reduced absenteeism, increased productivity, reduced overtime expenses, lessening of hostility towards management, elimination of tardiness, and reduced traffic congestion around work sites.

In terms of motivational theories, flexitime corresponds to the diverse needs of the workforce. It appeals to an individual's growth needs (ERG theory) or desire for autonomy (motivation hygiene theory).

The *two-tier pay system* provides for offering significantly lower wage rates to newly hired employees than those already employed in the same job. The two-tier pay system is seen everywhere in organisations. A junior lecturer in a university is paid less than a senior-grade lecturer. Similarly, a worker in a factory with 15 to 20 years of experience is put on a higher scale than a beginner.

The two-tier pay system is said to place a premium on experience and loyalty. It will induce a new recruit to stick to the same organisation.

The two-tier system corresponds to the equity theory, but in a negative way. A junior worker perceives an inequity or an injustice when he/she is paid less than his/her senior though, both attend to the same work. This, it is claimed, results in an increased turnover rate among those newly hired.

Flexible benefits allow employees to pick and choose from a menu of benefit packages that is individually tailored to his or her own needs and situations. The programme seeks to replace the traditional fringe-benefits programmes which apply uniformly to all employees. The idea of flexible benefits operates on the following lines. An organization sets up a flexible spending account for each employee, usually based on some percentage of his or her salary, and then a price tag is put on each benefit. Options might include inexpensive medical plus high deductibles; expensive medical plus low or no deductibles; hearing, dental and eye coverage; vacation options; extended disability; a variety of savings and pension plans; life insurance; college tuition reimbursement plans; and extended vacation time. Employees then select benefit options until they have spent the amount in their respective accounts.

Consistent with the expectancy theory thesis that organisational rewards should be linked to each individual employee's goals, flexible benefits individualise rewards by allowing each employee to choose the compensation package that best satisfies his/her current needs.

Trust and transparency shall help motivate employees as has been the experience of Sasken Communication Technologies, a Bangalore based communication software firm. Sasken trusts its employees and the management is transparent in decision making.

That the company trusts its employees is evident while marking their presence. There is a system of making only the employee's absence. No signing of registers and no swiping of cards. There is no limit on sick leaves.

In addition to trust and transparency, Sasken has done away with perks for any body. Everybody has the same rules. No one gets a car or a mobile phone and everybody stays in similar hotels and everybody flies economy class. Infact, whenever the CEO travels by business class, he pays from his own money.

The two most popular and time-tested methods of employee motivation are participative management and employee communication. The next two chapters will deal with these extensively.

SUMMARY

Mere knowledge about the theories of motivation will not help managers motivate their subordinates. They need to have certain techniques that can help them motivate employees.

One such technique is reward. Reward, particularly money, is a motivator according to need-based and process theories of motivation. For the HR experts, however, money is not important as a motivator. Whatever may be the arguments, it can be stated that money can influence some people in certain circumstances.

The other techniques of motivation are job design, MBO, empowerment, participative management, QWL flexitime, two-tier pay system and flexible benefits. Each has its own merits and limitations.

KEY TERMS

Empowerment
Participative management
Goal setting
QWL
Flexitime
Job Characteristics Model
Task revision
Telecommunicating

REVIEW QUESTIONS

1. Can money act as motivator? Explain.
2. Explain how empowerment can be a motivator.
3. How do you handle problem employees?

DISCUSSION QUESTIONS

1. "Money cannot motivate all people under all circumstances." Give your viewpoint.
2. What is the relevance of the Job Characteristics Model in today's business environment?
3. How does job design help motivate employees?

Closing Case

Vêtements Ltée

Vêtements Ltée is a chain of men's retail clothing stores located throughout the province of Quebec, Canada. Two years ago, the company introduced new incentive systems for both store managers and sales employees. Store managers receive a salary with annual merit increases based on sales above targeted goals, store appearance, store inventory management, customer complaints, and several other performance measures. Some of this information (e.g., store appearance) is gathered during visits by senior management, while other information is based on company records (e.g., sales volume).

Sales employees are paid a fixed salary plus a commission based on the percentage of sales credited to that employee over the pay period. The commission represents about 30 per cent of a typical paycheck and is intended to encourage employees to actively serve customers and to increase sales volume. Because returned merchandise is discounted from commission, sales staff are discouraged from selling products that customers do not really want.

Soon after the new incentive systems were introduced, senior management began to receive complaints from store managers regarding the performance of their sales staff. They observed that sales employees tended to stand near the store entrance waiting for customers and would occasionally argue over "ownership" of the customer. Managers were concerned that this aggressive behaviour intimidated some customers. It also tended to leave some parts of the store unattended by staff.

Many managers were also concerned about inventory duties. Previously, sales staff would share responsibility for restocking inventory and completing inventory reorder forms. Under the new compensation system, however, few employees were willing to do these essential tasks. On several occasions, stores experienced stock shortages because merchandise was not stocked or reorder forms were not completed in a timely manner. Potential sales suffered from empty shelves when plenty of merchandise was available in the back storeroom or at the warehouse. The company's new automatic inventory system could reduce some of these problems, but employees must still stock shelves and assist in other aspects of inventory management.

Store managers tried to correct the inventory problem by assigning employees to inventory duty, but this has created resentment among the employees selected. Other managers threatened sales staff with dismissals if they did not do their share of inventory management. This strategy has been somewhat effective when the manager is in the store, but staff members sneak back onto the floor when the manager is away. It has also hurt staff morale, particularly relations with the store manager.

To reduce the tendency of sales staff to hoard customers at the store entrance, some managers assigned employees to specific areas of the store. This also created some resentment among employees stationed in areas with less traffic or lower-priced merchandise. Some staff openly complained of lower paychecks because they were assigned to a slow area of the store or were given more than their share of inventory duties.

Questions

1. What symptom(s) exist in this case to suggest that something has gone wrong?
2. What are the root causes that have led to these symptoms?
3. What actions should the organisation take to correct these problems?[10]

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CHAPTER 17

Empowering Employees

LEARNING OBJECTIVES

After reading this chapter you should have a good understanding of:

- Describe the scope, importance and ways of participative management
- State the prerequisites for successful participation
- Trace the evolution of workers' participation in management

Opening Vignettes

- Many organisations have achieved substantial value creation due to their employees sharing wonderful ideas. Toyota is a great example. Toyota's suggestions scheme, operational for decades now, nets almost 2,000,000 suggestions per year, that is 33 suggestions per employee every year. What's more, 95 per cent of these are implemented. That makes about 5,000 improvements per day. Employee suggestions helped cut British Airways cost by 4.5 million pounds. HSBC managed to save up to Rs 50 lakh per annum just by adopting a single useful suggestion made by an employee. And British Gas received over 11,000 suggestions, of which 1,100 were implemented and resulted in cost savings of over 10 million pounds. In India, Gujarat Narmada Fertilizer Corporation grossed 5,000 suggestions over five years, with savings of Rs. 6.5 million per annum.
- Satyam started its company-wide suggestion scheme, the *Idea Junction*, in June 2001. The proposition behind this initiative was to enable greater value creation by Satyam employees (or associates, as they are called) through ideas, suggestions and complaints, for new opportunities and definite improvements in all facets. A key aspect was that the company's overall approach, policies and practices should result in creating a healthy environment for associate involvement.

  A real-time intelligent web-based portal is present in Intranet, which is available to all Satyam associates across the globe to support the entire life cycle of an idea, suggestion or complaint. Satyam associates are able to log in and provide ideas, suggestions and complaints, track progress made against the same; participate in various forums and surveys and obtain information on suggestions that have been implemented or rewarded. A comprehensive reward policy is also in place, wherein rewards are envisaged not only for implemented ideas but also for accepted ideas when these exceed a certain number. As on March 31, 2003, over 5,814 ideas have been contributed, more than 1,000 ideas have been accepted and implemented and over 1,100 reward points have been awarded to associates.

  To ensure that ideas, suggestions and complaints submitted to each circle are acknowledged, evaluated and taken to a logical conclusion, a responsible person is identified in each circle to act as the Circle Idea Leader (CIL). The CILs are tracking and evaluating ideas in addition to facilitating implementation of

accepted ideas in the respective circles and interact with the *Idea Junction Team* at the corporate strategy group for company-wide issues. The whole idea life cycle is executed through a web-based tool. At every stage of the cycle an automatic reference mail is generated and the database is updated. Analysis and intelligence reports are generated to study trends and statistics by web-based tool. A good practice repository is also maintained.

Satyam seeks to gradually evolve *Idea Junction* as an effective platform for associates and finally customers to give their suggestions for improvement in the way the company functions. In the near future, *Idea Junction* is poised to achieve substantial tangible and intangible value creation. It has also been as an incubation lab to identify and groom potential technological and business leaders with innovative thought processes. But *Idea Junction* is just one of the several initiatives at Satyam that seek to engage employees in the fabric of business strategy.[1]

- At TVS Motors, Hosur, two workers, viz; Prasad and Kanaka Raj each offered 6000 suggestions over a period of time. All these suggestions being highly useful to the company, the automobile giant rewarded these two workers handsomely. Each got a reward of Rs. 22 lakh.

Employee participation in management is nothing new. It is as old as the institution of owners and workers. But its importance has increased and has been brought into sharp focus with the Industrial Revolution and the advent of large enterprises.

In its narrow sense, participative management refers to the constitution of consultative councils and committees, comprising representatives of employees and employers, to recommend steps for improving productivity, machine utilisation, job loading; for effecting savings in power, light; for identifying lazy workers, safety, so on and so forth.

In its real sense participative management exists when employees are involved in decision making process, not in mere job related activities, but at all levels of management.

Workers' participation in management is synonymous with co-determination—a term popularly used in former East Germany to describe this participation. Participative management is also called employee empowerment.

SCOPE AND WAYS OF PARTICIPATION

There are three groups of managerial decisions which have a direct impact on the workers of any industrial establishment. They are social, personnel and economic decisions. Economic decisions include financial aspects—the methods of manufacturing, automation, shut-down, lay-offs, mergers and similar other functions. Personnel decisions refer to recruitment and selection, promotions, demotions, transfers, grievance settlement, work distribution, and so on. Social decisions relate to hours of work, welfare measures, questions affecting work rules and the conduct of individual worker's safety, health, sanitation and noise control. The workers must have a say in the decisions on the issues mentioned above.

But there is a difference of opinion about the scope and the extent to which workers can participate in social, personnel and economic decisions. One school of thought is of the opinion that the workers or the trade unions should, on parity basis, sit with the management as equal partners and make joint managerial decisions on all matters. The other school propounds the view that the workers should only be given an opportunity, through their representatives, to influence managerial decisions at various levels. The first view could lead to the workers' actual participation in the decision-making process of the management, while the second aspect will work out to be consultation of workers in managerial decisions.[2]

A more easy way of understanding the scope of employee participation is to describe the levels of participation. Participation can vary from non-existence of employee involvement in decision making to the absence of managers themselves in making decisions. Between these two extremes there is a range of intermediate points as shown in Fig. 17.1.

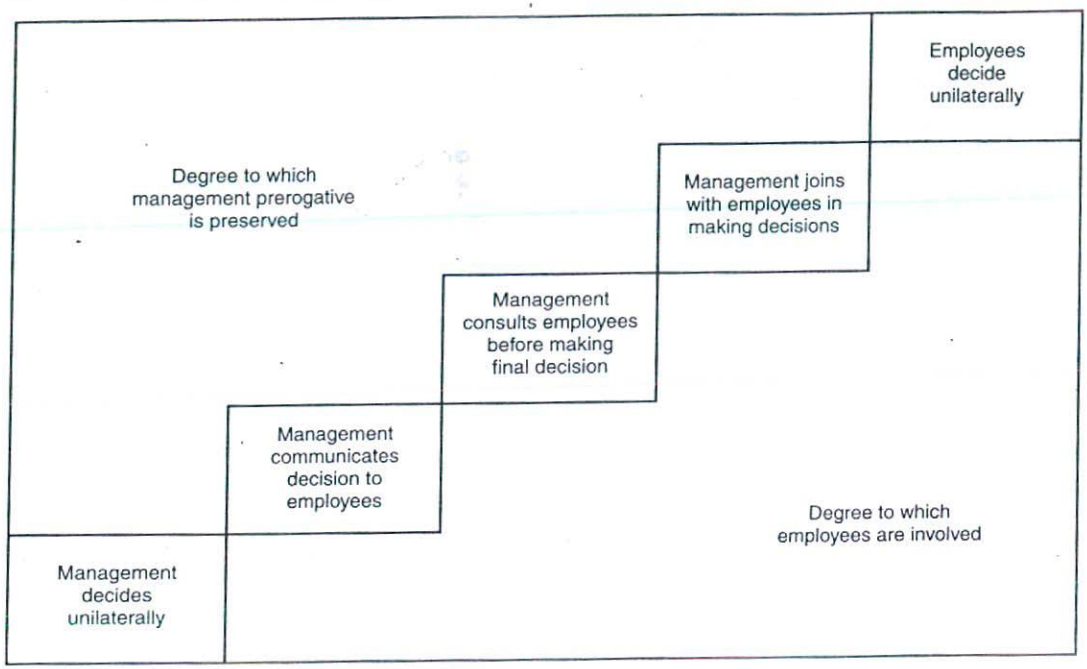


Fig. 17.1 Scale of Participation

Source: Michael Armstrong, *Handbook of Human Resource Management Practice*, Kogan, 1999, 745.

In practice, however, the participation of workers is affected by any or all the methods described in the paragraphs that follow (*see* Fig. 17.2). It may be emphasised that these methods may fall at any level of participation shown in Fig. 17.1.

(i) Participation at the Board Level

The Board of Directors is the apex body in the administration of a corporate establishment. A representation of workers on the Board would, it is believed, usher in industrial democracy, ensure improved employer-employee relations, and guarantee better productivity. The workers' representative on the Board can play a useful role in safeguarding the interests of workers. He or she can serve as a control element and guide to the management in its exercise of personnel and social functions. He or she can prevail upon the top management not to take measures that would be unpopular with the employees. He or she can guide the Board members on matters of investment in employee benefit schemes like housing, and so forth.

The Government of India took the initiative and introduced a scheme for the appointment of workers' representatives on the Boards of Management of public sector undertakings. As a result, the workers' representatives were appointed to the Boards of Hindustan Antibiotics, Pimpri; Hindustan Organic Chemicals, Kolaba and Hindustan Machine Tools, Bangalore. Workers' representatives have also been appointed to the Boards of nationalised banks. In the private sector, the Tatas, DCM, and some others have workers' directors on their Boards of Directors.

But the participation of workers at the top-level management is not without its problems. The Board of any enterprise is primarily concerned with such problems as raising funds, the utilisation of the resources of

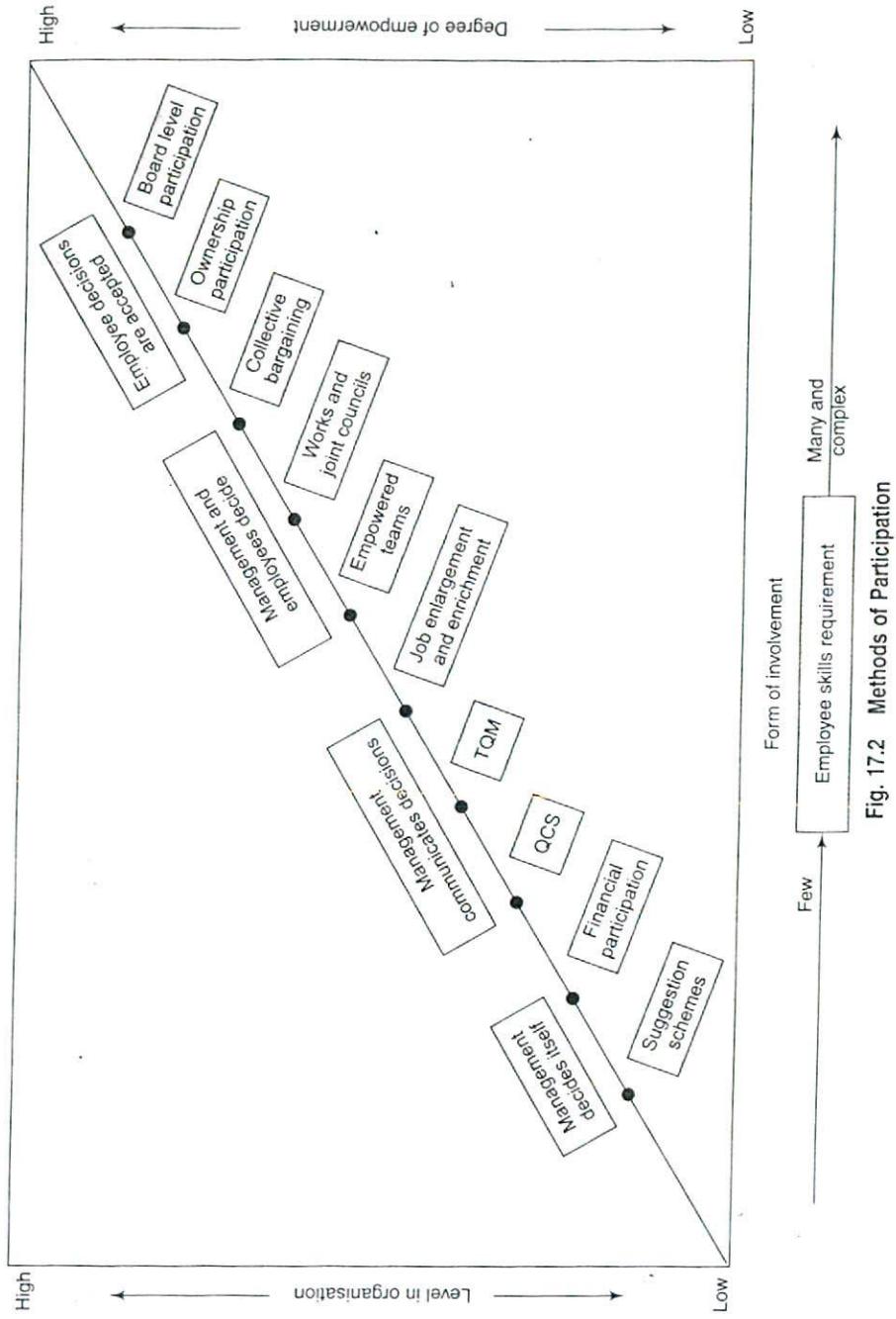


Fig. 17.2 Methods of Participation

the company to its advantage, and ensuring the capital growth of the enterprise. Personnel matters (in which the workers' representatives are primarily interested), do not receive equal attention at the Board level. Besides, most of the decisions in which the workers are interested are normally taken at the lower levels of management.

In these circumstances, the appointment of workers' representatives to the Board does not substantially enhance the role of workers in the management of an industry. *Second,* communication between the workers' representative and the workers suffers after the former assumes directorship. His or her viewpoint and thinking are no longer the same and he or she may not be able to see eye to eye with the workers, as he or she did in the past. He or she may, therefore, tend to become alienated from the workers. And for this very reason, he or she may be less effective with the other members of the Board in dealing with employee matters. Caught between alienation from the workers and unacceptability by the Board, the worker-director may not be able to play a constructive role. *Third,* though the worker-director may enjoy the status and privileges of the other members of the Board, his or her culture, education, behaviour and manners may make him or her feel inferior to the other members, and he or she may feel suffocated. In such surroundings, his or her role as a director may not be satisfying for the workers and for the management. *Fourth,* the nomination of one or two workers' representatives on the Board of Management places them in a minority, and the decisions of the Board are arrived at on the basis of the majority vote.

(ii) Participation through Ownership

Workers may become more involved in industries by making them shareholders of the company. This may be done by inducing them to buy equity shares. The management may promote the scheme by allowing the workers to make payments in instalments. It may also advance loans or even give financial assistance to such workers to enable them to buy equity shares.

Instances of workers holding shares in their companies are many. Sixty-one per cent of the shares of Otto India, Calcutta, are held by its employees. Forty per cent of the shares of Sehgal Sanitary Fittings, near Jullundur, have been allotted to workers. A similar experiment has also been made in the Rajasthan Spinning and Weaving Mills. Recently, another private firm in Rourkela, manufacturing heavy machinery, has introduced a scheme known as the Employees' Share Participation Loan Scheme. Hughes Software Systems too has a stock option scheme for its employees, called the 'Phantom Stock Option Scheme'. The method involves offering shares to employees. Every year, the shares are revalued and prices are announced. Employees are given an option to redeem their shares at quoted prices.

Participation through ownership has the distinct advantage of making the worker committed to the job and to the organisation. But its effect on participation is limited because ownership is different from management in the company form of ownership.

Participation through ownership was extended to its logical end when the Supreme Court, in its judgement in *Navneet R. Kamani vs R.R. Kamani (1984),* allowed workers to take over a sick unit. Kamani Tubes, New Central Jute Mills, Kamani Metals and Alloys, Powder Metals and Alloys and HCS Ltd., are the companies that have been taken over by their respective workers' co-operatives.

(iii) Participation through Complete Control

Workers acquire complete control of the management through elected boards. The system of self-management in Yugoslavia is based on this concept. It (self-management) gives complete control to workers to manage directly all aspects of industries through their representatives.

The system of complete control ensures the identification of the workers with their organisation. Industrial disputes disappear when workers develop loyalty to the organisation. Trade unions welcome this type

of participation. But complete control by workers is not an answer to the problem of participation because the workers do not evince interest in management decisions.

(iv) Participation through Staff or Works Councils

Staff councils or works councils are bodies on which the representation is entirely of the employees. There may be one council for the entire organisation or a hierarchy of works councils, from the shop-floor to the Board level. The members of the councils are elected by the employees of the respective sections.

The councils have different functions in the management of an enterprise, ranging from eliciting information on the management's intentions to a full share in decision making. They are a right step in the direction of industrial democracy. But they are not successful because of the fear expressed by trade union leaders that, being mainly workers' bodies, staff councils may erode their power and prestige.

(v) Participation through Joint Councils and Committees

Joint councils are bodies comprising representatives of employers and employees. The functions of these bodies may range from decision-making on some issues, to merely advising the management as consultative bodies.

Being mostly consultative bodies, the joint councils indicate a loose type of participation because their suggestions are not binding on the management. These councils serve no useful purpose. They only provide a platform to employers and employees from which they may give free vent to their complaints and grievances without making any attempt to find remedies and solutions.

Works committees have been constituted in industrial establishments employing 100 or more workers, and these comprise representatives of employers and employees. The constitution of a works committee is a legal requirement under the provisions of the Industrial Disputes Act, 1947. The committees discuss a wide range of topics connected with the workers' welfare. Certain voluntary committees, like the welfare committee, the safety committee, the canteen committee, the incentives committee, have also been constituted in most manufacturing establishments. There is no need for so many committees and subcommittees, and the effectiveness of their role in promoting industrial democracy, increased productivity and reduced labour unrest is doubtful. The opinion of most of the managers about the committees is that they have only a nuisance value.

(vi) Participation through Collective Bargaining

The principle of collective bargaining confers on the management and the workers the right, through collective agreements, to lay down certain rules for the formulation and termination of the contract of employment, as well as the conditions of service in an establishment. Such agreements are normally binding on parties and have the force of the law. Collective bargaining can really work well if the bargaining parties, namely, the employers and the workers' representatives, make use of the opportunity for bargaining in the right spirit and for a positive purpose. But, in practice, whenever the parties get together for the purpose of bargaining, each tries to take advantage of the other, often using strikes, lockouts and other strong-arm tactics. Collective bargaining is no-substitute for workers' participation in management. Participation brings both the parties together and develops appropriate mutual understanding, and brings about a mature and responsible relationship. Collective bargaining, on the contrary, is based on the crude concept of power and its exercise for sectional bargaining which may end up in mistrust, withholding of information and use of pressure tactics.[3]

(vii) Participation through Job Enlargement and Job Enrichment

Job enlargement means expanding the job content—adding task elements horizontally. Job enrichment means that additional motivators are added to the job so that it is more rewarding. The purpose of job enlargement and job enrichment is to relieve the boredom of the worker which flows from excessive specialisation in mass-production industries so that the job itself may be a source of self-satisfaction. Job enlargement and job enrichment do provide for workers' participation because they offer freedom and scope to them to use their judgement.

However, this form of participation provides only limited freedom to a worker concerning the method of performing his/her job. It will not give him or her any say in some of the vital questions he or she may be interested in, such as job and income security, welfare schemes and other policy decisions of the company which affect him/her directly.

(viii) Participation through Suggestion Schemes

Employees' views on such matters as machine utilisation, waste management energy conservation and safety measures are invited, and reward is given for the best suggestion. This procedure enables the management to arouse and maintain the employees' interests in the problems of their concern and its management.

The suggestion schemes are increasingly used by progressive management. MICO, Bangalore, for instance, has the scheme in operation for the past three decades. The suggestions flow from various levels, though mainly from the operators. The ideas range from changes in inspection procedures to design changes, process simplification, paper-work reduction, and the like. The company receives a few hundred suggestions every year. Of those accepted, the benefit to the company could range from marginal to substantial. The rewards to the employees are commensurate with the benefits derived from the suggestions. Toyota and Satyam are other examples, as told in the opening case, that benefited from suggesting schemes.

(ix) Participation through Quality Circles

A quality circle (QC) consists of seven to ten people from the same work area who meet regularly to define, analyse, and solve quality and related problems in their area. Membership is strictly voluntary, and meetings are usually held once a week, for an hour. During the groups' initial meetings, members are trained in problem-solving techniques borrowed from group dynamics, industrial engineering and quality control. These techniques include brainstorming, Pareto analysis, cause-and-effect analysis, histograms, control charts, stratification and scatter diagrams.

Quality circles are credited with producing quick, concrete and impressive results when correctly implemented. Their advantages include the following:[4]

1. Employees are involved in decision making. This privilege makes them acquire communication and analytical skills and improve the efficiency at the workplace.
2. Savings-to-costs ratios generally are higher than those achieved with other productivity-improvement programmes.
3. Because the programme is voluntary, employees and unions generally do not view them as another cost-control effort.
4. Circle members enhance their chances of promotion to supervisory positions.

Started first in Japan in the early 1960s, QCs have spread all over the world. In our country too, they are being introduced in several companies. BHEL and BEL are only two names which come to one's memory. SKF, Mahindra and Mahindra, Alfa Laval and Godrej and Boyce are other names which have tried QCs.

Experience in Indian industries has been a mixed one. With Mahindra Jeeps Division (it has 76 QCs), the result has been favourable. Technical problems that had plagued the process since its inception were solved eight months after the first circle was formed. To several workers, accustomed to thinking of work as a mindless routine, what happens on the shop floor (through QCs) is a welcome relief. They feel confident of themselves and gain satisfaction that they are being recognised.

On the flip side, it may be stated that unions have viewed QCs as means of extracting more labour. Efforts at motivating workers have always been seen as an attempt to wean them away from the union. QCs give added power to the individual worker, not the union.[5]

Yet another criticism, particularly early in the beginning, is that the programme stretches the volunteerism concept. When circles are just being formed, they require much time and effort, something workers might be unprepared for. Most QCs begin with a great deal of training in identifying work problems, applying statistics to track and evaluate quality, and work together in a group. This phase can be frustrating for employees who want to get to work on a particular problem straight-away. For circles to succeed in the long run, the management needs to show its commitment, by implementing some of the suggestions of the groups and providing feedback on the disposition of all suggestions.

Table 17.1 shows the phase in the life of a QC and the problems encountered at each stage. Most QCs have a definite life cycle, lasting from one to three years. Few circles operate beyond this time, either because they run out of steam or face simple problems. However, QCs can be an excellent bridge between participative and non-participative management approaches.

Table 17.1 **Phases in the Life of a QC Programme**

Phase	*Activity*	*Destructive Forces*
1. Start-up	Publicise, obtain funds and volunteers, train	Low volunteer rate, inadequate funding, inability to learn group process and problem-solving skills
2. Initial problem solving	Identify and solve problems	Disagreement on problems
3. Presentation and approval of initial suggestions	Present and have initial suggestions accepted	Resistance by staff groups and middle management, poor presentation and suggestions because of limited knowledge
4. Implementation of solutions	Relevant groups act on suggestions	Prohibitive, resistance by groups that must implement
5. Expansion and continued problem solving	Form new groups, old groups continue	Raised aspirations, lack of problems, expense of parallel organisation, savings not realised, rewards wanted
6. Decline	Fewer groups meet	Cynicism about programme Burnout

Source: Cynthia D. Fisher, *et al.*, *Human Resource Management*, Houghton Miffling, 1990, p. 391.

The QC programme failed in SKF and the company recently introduced a continuous-improvement programme. At Alfa Laval, the experience was similar. An earlier attempt at QC had failed. Under a changed management, workers who were sent off on a paid holiday prior to retrenchment, were brought back and redeployed. The fear that it could happen again made the union receptive to the management's

new programmes. This time, Alfa's QC movement became the best example of shop-floor participation in the Pimpri–Chinchwad industrial belt.[6]

(x) Empowered Teams

Empowering refers to passing on authority and responsibility. Empowerment occurs when power goes to employees who then experience a sense of ownership and control over their jobs.

Empowered individuals know that their jobs belong to them. Given a say on how things are done, employees feel more responsible. When they feel responsible, they show more initiative in their work, get more done, and enjoy the work more.[7]

Empowerment is facilitated by a combination of factors, including values, leadership actions, job structure, and reward systems, as illustrated in Fig. 17.3.

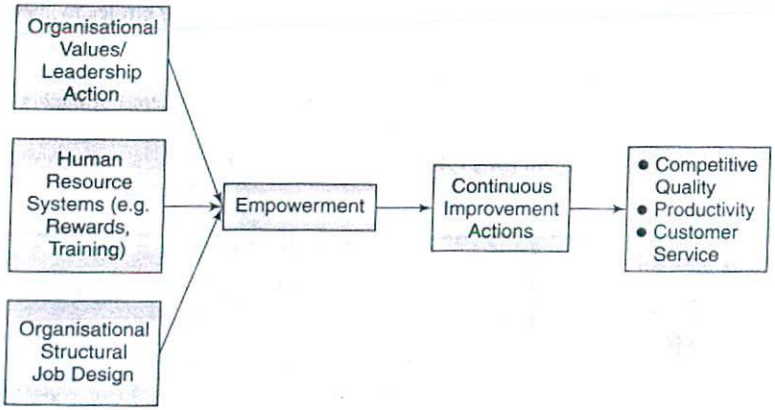


Fig. 17.3 Facilitators of Empowered Teams

Source: Richard S. Wellins, *et al.*, *Empowered Teams*, p. 23.

Self-directed teams (another name for empowered teams) have the following distinct features:[8]

- They are empowered to share various management and leadership functions.
- They plan, control and improve their own work processes.
- They set their own goals and inspect their own work.
- They often create their own schedules and review their performance as a group.
- They may prepare their own budgets and co-ordinate their work with other departments.
- They usually order materials, keep inventories and deal with suppliers.
- They are frequently responsible for acquiring any new training they might need.
- They may hire their own replacement or assume responsibility for disciplining their own members.
- They, and not others outside the team, take responsibility for the quality of their products or services.

Empowered-team organisations differ from traditional organisations in several respects. Table 17.2 brings out the key differences.[9]

Empowerment is catching on among Indian managers. Companies as diverse as Titan, Reliance, ABB, Tata Information Systems (TISL), GE Plastics India and Philips are empowering employees—both front-line, as well as production staff. Wipro Corporation has 29 such teams and their number is expected to go upto 130. Wipro Infotech, on the other hand, has 10 such teams and the plan is to hike them to around 45 to 50.[10] At Reliance, divisional heads run their divisions like managing directors run their companies.[11]

Table 17.2 **Key Differences between Traditional Organisations and Empowered-team Organisations**

Element	*Traditional Organisations*	*Self-directed Teams*
1. Organisational structure	Layered/individual	Flat/team
2. Job design	Narrow, single-task	Whole process/multiple task
3. Management role	Direct/control	Coach/facilitate
4. Leadership	Top-down	Shared with team
5. Information flow	Controlled/limited	Open/shared
6. Rewards	Individual/seniority	Team-based/skill-based
7. Job process	Managers plan, control, improve	Teams plan, control, improve

(xi) Total Quality Management

Total Quality Management (TQM) refers to the deep commitment of an organisation to quality. Quality of products and services is an obsession, and every step in the company's processes is subjected to intense and regular scrutiny for ways to improve it. Almost every issue is subject to exploration and the process is a continuing one. Employees are provided with extensive training in problem- solving, group-decision-making and statistical methods.

TQM replaces traditional beliefs about quality with a new set of principles. Traditional beliefs which are discarded include'

1. High quality costs more.
2. Quality can be improved by inspection.
3. Defects cannot be eliminated completely.
4. Quality is the job of the quality control personnel.

The new principles of TQM are:

1. Meet the customer's requirement on time, the first time, and 100 per cent of the time.
2. Strive to do error-free work.
3. Manage by prevention, not by correction.
4. Measure the cost of quality.

TQM is classified as a participative method because every employee in the organisation is involved and is expected to take responsibility for improving quality, everyday. It is a formal programme which involves direct participation by all employees.

It is obvious from the foregoing discussion that the methods of employee participation are many and various. They vary from time to time, country to country, and plant to plant within a country. The introduction of a particular method of participation depends on the government of the land, the willingness and change of heart on the part of the employer to share his or her power with his or her employees, and the preparedness of the employees to accept the share of power offered to them, without suspicion or mistrust.

(xii) Financial Participation

Financial participation differs from other forms of employee involvement in that it is less likely to involve employees in consultational or decisional processes. The general purpose of financial participation is to

enhance employee commitment to the organisation by linking the performance of the firm to that of the employee. Thus, it is argued that the employee is more likely to be positively motivated and involved if he or she has a financial stake in the company by having a share of profits or by being a shareholder.[12]

There are many schemes of financial participation, but the more prominent of them are the profit-linked pay, profit sharing and employee stock option scheme, workers' co-operatives, management buyouts, pension fund participation and wage earner funds.

? Pause and Ponder

Do you notice any committee, club or council existing in your school/college/university? If yes, are you a member of any of these? What functions do they discharge and what purposes do they serve?

PRE-REQUISITES FOR SUCCESSFUL PARTICIPATION

To make any of the participative methods successful, the following conditions have to be fulfilled:

1. The participants, namely, the management and the operatives, must have clearly defined and complementary objectives. And the objectives of one party should not work at cross-purposes with the objectives of the other party.
2. There must be a free flow of information and communication between the management and the workers. In this way, distrust and suspicion are avoided, and workers become responsible and mature when they discuss their demands with the management.
3. The representatives of workers must be drawn from the workers themselves. The participation of outside trade union leaders should be discouraged. This is necessary because the problems and difficulties of the workers are better understood by the workers themselves than by others. The workers, therefore, can put across their points of view to the management with confidence.
4. Strong and effective trade unionism is necessary for the success of participative management. Politicisation and multiplicity of trade unions defeat the purpose of participation and management.
5. Workers' education and training make a significant contribution to the purposive working of participative management. Trade unions and the government can play a major and meaningful role in organising and conducting training programmes.
6. Neither party should feel that its position is threatened by participation. If workers think that their status will be adversely affected, they will not participate. If managers feel that their authority is threatened, they will refuse participation or will be on the defensive.
7. Consultative bodies, collective bargaining and suggestion schemes make a mockery of participative management. To make workers' participation meaningful and purposeful, workers should be associated at all levels of decision making.
8. The success of participation depends on a suitable participative structure and a change of heart on the part of employers and employees, which may take a long time to develop. To expedite this development, some sort of legislative action is necessary.
9. There could be the danger of a major portion of the resources of the enterprises being diverted to workers without much consideration for further investments. It may be desirable to reserve a certain percentage of the resources for reinvestment, either through mutual agreement or legislation.
10. The financial cost of participation should not exceed the values, economic and otherwise, that come from it. Employees cannot spend all their time in participation, to the exclusion of all other work.

IMPORTANCE OF PARTICIPATION

The greatest benefit of participative management is that the employee identifies himself or herself with the work and this leads to an improved performance. As shown in Fig. 17.4, the 'employee psychological result' is participation which, in turn, leads to an improved performance, manifesting itself in an increased output and an improved quality.

Participative management results in improved performance. Improved performance is the outcome of three variables: removal of conditions of powerlessness, enhancement of self-efficacy and employee perception of empowerment.

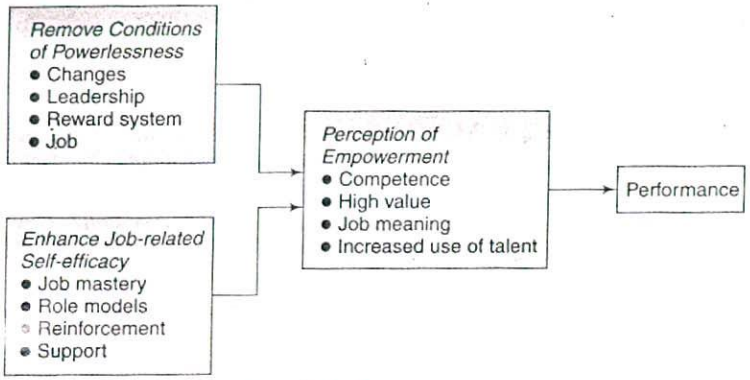


Fig. 17.4 Participation and Performance

Source: Adapted from *Organisational Behaviour—Human Behaviour at Work*, by John N. Newstrom and Keith Davis, New York, McGraw-Hill, p. 247.

Participation tends to improve motivation because employees feel more accepted and involved in the situation. Their self-esteem, job satisfaction, and cooperation with the management will also improve. The results often are reduced conflict and stress, more commitment to goals, and better acceptance of a change. Employees may also reduce turnover and absences when they begin to feel that working conditions are satisfactory and that they are becoming more successful in their jobs. Finally, the act of participation in itself establishes better communication, as people mutually discuss work problems. The management tends to provide workers with increased information about the organisation's finances and operations, and this helps employees to give better quality suggestions.[13] Whatever may be the objective, the form or the level of participation, there is hardly a study in the entire work literature which fails to demonstrate that satisfaction in work is enhanced, or that generally acknowledged beneficial consequences accrue from a genuine increase in the workers' decision-making powers. It is not really difficult to explain why participation works. It is almost a matter of common sense that humans will take greater pride and pleasure in their work if they are allowed participatory freedom in shaping the policies and decisions which affect their work.[14]

In addition to temporal gains of employee participation discussed above, firms will be satisfying certain ethical principles through such a practice. There are five ethical perspectives involved in participative management.[15]

The first ethical principle stems from the fundamental objective of any morality–the impartial promotion of human welfare. This impartiality requires a fair hearing for the interests of every person in decisions concerning policies that affect their lives. As is well known, many decisions at work wield considerable impact on the lives of employees. For instance, an employee's privacy and health, both mental and physical, can be threatened in his or her working life. Morality, therefore, requires that there are some attempts to

guarantee fair treatment for workers and their interests. Government regulation is one such measure. Government mechanisms and HR intervention, like employee participation, guarantee human welfare.

The second principle requires the need to recognise the inherent value and dignity of the human being. One traditional basis for that belief in dignity of the human being derives from the fact that individuals are agents capable of free and rational deliberation. We move towards respect for the dignity of the individual when we protect individuals from humanly alterable interferences that jeopardize important human goods, and when we allow them freedom from other interferences. Individuals with this freedom from interference are able to direct the course of their own lives without the threat of external control or coercion.

Participative management has **ethical dimensions** also. The ethical orientation stems from: (i) morality principle, (ii) recognition of human dignity, (iii) loss of self-respect, (iv) physical and mental health of employees, and (v) negative consequences of hierarchical organisations of work.

This moral commitment to the dignity of human beings as autonomous agents has significant implications for corporate governance. Most of our lives are spent at the places of employment. If we do not possess control over that portion of our lives because we are denied the power to participate in deciding corporate policy, then at work we will not become autonomous agents. Instead, we become merely autonomous and replaceable elements in the production process, elements with a moral standing little different from that of the inanimate machinery. The moral importance of autonomy in respecting the dignity of individuals should make us critical of these traditional patterns of work and should move us in the direction of employee participation. The commitment to the autonomy and the dignity of human beings requires that workers have the ability to co-determine any policy that has bearing on corporate governance.

The third ethical perspective relates to the assumption that employees who believe themselves powerless will lose psychological good of self-respect. If all persons should be treated with dignity, they deserve the conditions that contribute to their sense of dignity or self-efficacy. An individual not possessing self-worth feels uncomfortable to any attempt to treat him/her with dignity. The self-worth of the individual enhances when he/she is allowed to exercise his/her capacities in complex and interesting activities. Such activities exhibit him or her as an autonomous human being. This necessitates participation by workers in corporate decisions. In other words, an employee's sense of self-respect depends on his/her participation in decision-making.

The fourth ethical principle supporting participation relates to the mental and physical health of employees. It is well known that repetitive work without control over one's own activities causes worker alienation. Alienated individuals suffer from mental disturbances and stress-related physical illness. On the contrary, employees who are satisfied because they feel able to contribute to corporate policy tend to suffer from less alienation. Since mental and physical health are important human assets, there is moral justification to protect them. Worker participation in corporate decisions is a sure way to minimise the effects of alienation at workplace.

Finally, ethical justification for worker participation is derived from the negative consequences of hierarchical and authoritarian organisations of work. Such organisational structures deny the workers their voice in decision-making. Such deprived employees develop apathy towards any democratic process. Back home, such apathetic employees imbue similar views to their children. In other words, democratic process denied at the workplace spreads to society. Political theorists are right when they express fears about voter apathy. They worry that with that apathy the political process will be democratic in name only and that the actual business of government will be controlled by powerful and private economic interests.

LIMITATIONS OF PARTICIPATION

Participative management suffers from many limitations. These are:

1. Technology and organisations today are so complex that specialised work-roles are required, making it difficult for people to participate successfully if they go very far beyond their particular environment. This means that low-level workers can participate successfully in operating matters, but they usually have difficulty in participating in policy matters.[16]
2. Another issue is an employee's right—*not to participate*. There is no evidence that participation is good for everybody. Many people do not want to be bothered with participation.[17]

? Pause and Ponder

The mindset that employees have—a right not to participate—might have been relevant decades ago. What is the status today? Do employees of contemporary organisations entertain the same thinking?

3. Another problem is that participative situations can be used covertly to manipulate employees. This manipulation is not necessarily done by the management. It may be by the union or by undercover cliques led by members skilled in group dynamics—the social engineers of consent.
4. The feudalistic concept of the master and the servant is still prevalent among industrial workers, especially in India. Workers have an innate feeling that they are born to *serve* and not to rule. Participative management, naturally, is of little interest to such workers.
5. The role of trade unions in promoting participative management is far from satisfactory. Most of the unions indulge in politicking and have little time to think about participation. The attitude of individual members, too, is not conducive to the promotion of participative management. The motive for joining a trade union is explicitly more individualistic, that is, the membership is regarded as a kind of insurance against calamities, in the event of dismissals, accidents or other difficulties, when the members could expect some help from trade unions. The result is that the workers perceive a trade union's role as crisis-oriented and not as extending beyond certain individual problems. Naturally, workers do not expect their unions to play a major role in participation.
6. The unwillingness of the employers to share power with the workers' representatives, the disinterest of the workers, and the perfunctory attitude of the government towards participation act as stumbling blocks in the way of promotion of participative management.

EVOLUTION OF PARTICIPATIVE MANAGEMENT

Participative management is a constitutional commitment in India. Article 43-A of the Constitution (42nd Amendment) provides: The State shall take steps, by suitable legislation or in any other way, to secure the participation of workers in the management of undertakings, establishments or other organisations engaged in any industry.

A beginning towards workers' participation was made with the passing of the Industrial Disputes Act, 1947, which made it mandatory for every large industrial undertaking to constitute works committees comprising representatives of employers and employees. In 1956, the Industrial Policy Resolution was adopted by the government, which stated that there should be some joint consultation to ensure industrial peace, and improve employer-employee relations. Subsequently, a study team, under the chairmanship of Vishnu Sahay, Secretary in the Ministry of Labour, Government of India, was sent to the UK, Sweden, France, Belgium, former West Germany and Yugoslavia to study the problems involved in the scheme

which was similar to the British system of joint management councils and committees. The functions of these joint bodies were to be consultative and were not binding on the management. The response to the scheme was very encouraging, to start with. Soon, however, interest in it waned.

A study team was appointed in 1962 to report on the working of joint councils and committees. The team concluded that these bodies were a failure and a number of reasons were given for it. But no concrete steps were taken to remove the difficulties, or change the pattern of participative management.

The interest in participation was revived during the Emergency of 1975–77. Workers' participation in the industry was a part of the 20-point programme initiated by the then Prime Minister. The government started persuading large enterprises to set up joint consultative committees and councils at different levels. The Janata Government, which came to power in 1977, also re-emphasised the need for participative management.

It was again emphasised in the new 20-point programme adopted after the Congress Government came back to power in 1979. The National Productivity Council conducted a sample survey of 35 units (20 in the public sector and 15 in the private sector) scattered across the country and which had been following a participative management scheme for a few years. The survey indicated that the success rate of the scheme was around 50 per cent, and tended to be more in the private sector than in the public sector.

The government notified, in 1983, a new and comprehensive programme. The programme was applicable to all public sector undertakings. The state governments and private sector enterprises were asked to implement the scheme. A committee consisting of representatives of the concerned ministers, state governments, central public sector units, all India trade unions and representatives from the private sector, was set up in 1984 to monitor the progress in the implementation of the scheme. As per the Annual Report of the Ministry of Labour (1987–88), 100 PSUs adopted the 1983 scheme at the shop-floor and plant levels. Another 33 such units introduced their own schemes, deviant to the government scheme.

Till now, all the measures to introduce participative management have been non-statutory. The non-statutory measures have obviously failed to elicit uniform response from all employers. Therefore, the government introduced on May 30, 1990, a bill—The Participation of Workers in Management Bill—in the Rajya Sabha. Three reasons have been advanced in support of the bill: (i) step in tune with the Article 43 of the Constitution, (ii) the non-statutory measures were not effective, and (iii) the statutory works committees have proved to be ineffective. The committees were since then abolished.

The bill requires every industrial enterprise to constitute one or more 'Shop-Floor Councils' at the shop floor level, and an 'Establishment Council' at the establishment level. These councils were to have an equal number of representatives of employers and employees.

A shop-floor council has such powers and functions as it deems necessary in relation to: (i) production, (ii) storing, (iii) materials economy, (iv) operational problems, (v) wastage control, (vi) hazards of safety problems, (vii) quality improvement, (viii) cleanliness, (ix) monthly targets and production schedules, (x) cost-reduction efforts, (xi) formulation and implementation of work-systems, (xii) design group working, and (xiii) welfare measures particularly related to the shops.

Similarly, the establishment council has been conferred wide powers and functions. These relate to operational areas, economic and financial areas, personnel matters, welfare, and environmental areas.

The bill provides for the constitution of a Board of Management of every corporate body owning an industrial establishment. The bill also provides for penalties on individuals who contravene any provision of the bill.

With the exception of the government and the academicians, no one else seems to be interested in participative management. Owners have no desire to share power with workers; managers dub the scheme as a fraud; trade unions have no time to bother about the scheme; and workers have no interest to participate in decision making.

Modern management is so complex that no worker is in a position to play an effective role at the micro-level in terms of raising production and productivity. Decision making on larger issues is better left to specialist managers.

But participative management is staging a come-back. The compulsions of emerging competitive environment have made employee involvement more relevant than ever before. Managers and the managed are forced to forget their known stands, break barriers, and work unitedly. The old adage—'a worker is a worker, a manager a manager, never the twain shall meet', should be replaced by "manager and worker are partners in the progress of business".

SUMMARY

Participative management involves associating employees at every level in decision making. Participation may be at the board level, collective bargaining, job enlargement, job enrichment, suggestion schemes, quality circles, and empowered teams.

Employee participation results in better performance and increased motivation. It has certain limitations too.

KEY TERMS

Empowered teams
Job enlargement
Job enrichment
Joint councils
Participative management
Quality circle
Self-directed teams

REVIEW QUESTIONS

1. Define the term "workers' participation in management". Bring out the prerequisites for its success.
2. Describe the various methods for achieving employee participation. Suggest a suitable method for application to Indian conditions.
3. What is meant by participative management? Bring out its importance and limitations.
4. Review the progress of participative management in India.

DISCUSSION QUESTIONS

1. Explain in your own words, what empowerment means to you. Give an illustration of a time when you truly felt empowered.
2. "A worker is a worker, a manager a manager and never the twain shall meet". Do you agree? Why?
3. Why do you think participative management has not succeeded in our country?

Closing Case—1

Total Quality Management

Precision Tool Engineering is a company producing machinery and machine tools and some other related engineering products for specialist production companies. It employs a total workforce of 400, two-thirds of which work in the production department.

In late 1989, the management decided to introduce a TQM scheme to increase efficiency and quality control. Throughout the 1980s, more flexible arrangements had been introduced together with a breakdown of old work demarcation lines. Machines were now built by flexible teams of workers employing different skills (fitters, electricians, hydraulic engineers, etc.). In 1989, the first moves towards TQM were made with the introduction of BS 5750. Workers were asked to inspect the quality of their work which resulted in reduction of the need for specialist inspectors and both time and money were saved. Agreements were negotiated with the union for extra pay as a result of the increase in worker responsibility.

In early 1990, the management decided to introduce a full-blown TQM scheme on the basis of the success with the introduction of BS 5750. Problem solving groups were formed based on work groups with voluntary participation. Group leaders, who were mainly supervisors, were trained in how to run a group and in problem-solving techniques. The aims of the groups were to:

1. Identify problems inside their work area.
2. Propose solutions.
3. Identify problems outside their work area.
4. Refer external problems to a review team.

The review team was mainly made up of managers with one representative from each group, usually the group leader.

The unions were lukewarm to the scheme and some shop stewards were directly against it.

Within the space of nine months, the TQM scheme was reviewed and the senior management came to the conclusion that it had not lived up to expectations, and some board members called it a failure. Some areas they had identified were that team leaders had felt uncomfortable in their roles and there had been considerable scepticism from some groups of workers.

Questions

1. Why do you think that the BS 5750 scheme was successful and that the TQM scheme failed in Precision Tool Engineering?
2. What suggestions would you make to a similar company who were thinking of intro-ducing TQM in order to make it a suc-cess?[18]

Closing Case—2

Crisis Blown Over

November 30, 1997 goes down in the history of a Bangalore-based electric company as the day nobody wanting it to recur but everyone recollecting it with a sense of pride.

It was a festive day for all the 700-plus employees. Festoons were strung all over, banners were put up; banana trunks and leaves adored the factory gate, instead of the usual red flags; and loud speakers were blaring Kannada film songs. It was the day the employees chose to celebrate *Kannada Rajyothsava,* annual feature of all Karnataka-based organisations. The function was to start at 4 p.m. and everybody was eagerly waiting for the big event to take place.

But the event, budgeted at Rs 1,00,000, did not take place. At around 2 p.m., there was a ghastly accident in the machine shop. Murthy was caught in the vertical turret lathe and was wounded fatally. His end came in the ambulance on the way to hospital.

The management sought union help, and the union leaders did respond with a positive attitude. They did not want to fish in troubled waters.

Series of meetings were held between the union leaders and the management. The discussions centred around two major issues—(i) restoring normalcy, and (ii) determining the amount of compensation to be paid to the dependants of Murthy.

Luckily for the management, the accident took place on a Saturday. The next day was a weekly holiday and this helped the tension to diffuse to a large extent. The funeral of the deceased took place on Sunday without any hitch. The management hoped that things would be normal on Monday morning.

But the hope was belied. The workers refused to resume work. Again the management approached the union for help. Union leaders advised the workers to resume work in all departments except in the machine shop, and the suggestions was accepted by all.

Two weeks went by, nobody entered the machine shop, though work in other places resumed. Union leaders came with a new idea to the management—to perform a *pooja* to ward off any evil that had befallen on the lathe. The management accepted the idea and *homa* was performed in the machine shop for about five hours commencing early in the morning. This helped to some extent. The workers started operations on all other machines in the machine shop except on the fateful lathe. It took two full months and a lot of persuasion from the union leaders for the workers to switch on the lathe.

The crisis was blown over, thanks to the responsible role played by the union leaders and their fellow workers. Neither the management nor the workers wish that such an incident should recur.

As the wages of the deceased grossed Rs 6,500 per month, Murthy was not covered under the ESI Act. Management had to pay compensation. Age and experience of the victim were taken into account to arrive at Rs 1,87,000 which was the amount to be payable to the wife of the deceased. To this was added Rs 2,50,000 at the intervention of the union leaders. In addition, the widow was paid a gratuity and a monthly pension of Rs 4,300. And nobody's wages were cut for the days not worked.

Murthy's death witnessed an unusual behaviour on the part of the workers and their leaders, and magnanimous gesture from the management. It is a pride moment in the life of the factory.

Questions

1. Do you think that the Bangalore-based company had practised participative management?
2. If your answer is yes, with what method of participation (you have read in this chapter) do you relate the above case?
3. If you were the union leader, would your behaviour have been different? If yes, what would it be?
4. If you were in the management, would your attitude have been different? If yes, what would it be?

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CHAPTER 18

Communicating with Employees

LEARNING OBJECTIVES

After reading this chapter you should have a good understanding of:

- The communication process
- The barriers to effective communication and suggestions to overcome the barriers
- Informal communication, the prevalence of rumour in organisations and ways of managing untrue and injudicious communication
- The communication strategy
- The communication system

Opening Case

MANAGEMENT BEYOND 2000

Philip M. Condit's relaxed and insightful manner belies his position as Chairman and Chief Executive Officer for Boeing, the leader in building commercial aircraft and one of the most successful companies in the world. He spearheaded the development of the company's 777 aircraft by making sure all employees understood the project from the beginning all the way to its unveiling in 1995. Condit began by holding a general orientation meeting to communicate the goals for the new plane to all Boeing employees. The company set up hundreds of employee teams representing each facet of the project. Face-to-face communication among the teams helped identify potential problems early, when they could be circumvented or solved much more easily. The engineers responsible for the design of the 777 worked closely with production and operations people in the manufacturing process. The final product was acclaimed by the airlines, pilots and passengers.

When Boeing decided to modify its approach to manufacturing aircraft and reduce the size of its workforce by a third, Condit's formidable communication skills again came into play. Following Boeing's low stock prices in the late 1990s and the resulting shareholder concerns, Condit offered a strategic plan that was based on improving the company's financial performance. A fundamental step was changing Boeing from its paternalistic culture to one that emphasised high performance in the workplace. For the strategic plan to be successful, the commercial aviation division was to be reduced by 48,000 employees over a two-year period.

Implementing the reduction in the workforce was a feat of leadership and communication skills. Condit used his relaxed approach to work successfully with the company's highly unionised work-force to achieve the necessary reduction, and in the process was able to set Boeing investors' minds at ease.

CEO Condit and Boeing in 2001 faced a new threat from Airbus, its chief competitor, which has engineered the world's largest passenger jet. The Airbus A380 can carry 200 more passengers than a fully loaded Boeing 747 and is expected to be in operation in the near future. Airbus' announcement of commitments for several airlines to build 62 of the planes and its conspicuous success at the 2001 Paris Air Show meant that Boeing no longer had a monopoly on supplying jumbo passenger jets to airlines. Condit's skills as a communicator will be needed to mobilise Boeing's work-force as the company risks billions of dollars in developing not only new products like its Sonic Cruiser jet liner, but also airplane internet access and a satellite-based air traffic management system. Condit's new message is that Boeing technology will reshape the flying experience.[1]

Organisations comprise people who interact with each other to achieve shared goals. Employees are the organisation's brain cells, and communication represents the nervous system that carries this information and shared meaning to vital parts of the organisational body. Boeing and other organisations require innovative strategies to keep these communication pathways open. Smaller businesses may have fewer structural bottlenecks, but they too can suffer from subtle communication barriers.

Communication is one of the most widely discussed topics in HR management. The attention is justified because of the role of communication in improving interpersonal relations. This chapter is devoted to a brief discussion of the nature of communication, its significance, interpersonal and organisational communication, barriers to communication and the ways to overcome the barriers.

NATURE OF COMMUNICATION

Like any other topic on HRM, communication too has been defined by several authors. One researcher came up with as many as 95 definitions, none of them being widely accepted.[2]

For our purpose,

Communication may be understood as the process of exchanging information, and understanding among people.

This simple definition of communication directs our attention to three important issues:

1. Communication *involves transmission and reception of messages.* As communicators, people use symbols to create messages. They cannot, literally, communicate to other individuals a meaning, attitude, perception, belief or feeling. Rather, they use a message or messages to represent what they see, feel, or experience. Just as an artist uses a brush and paint to depict a beautiful sunset or landscape, so too communicators use messages to represent their perceptions, thoughts, and feelings.[3]
2. Communication *involves people,* at least two—one to transmit the message (sender) and another to receive the message (receiver). Traditionally, the focus was on the sender and his or her communication skills for effective communication. Of late, the role of the receiver and the art of listening are being underlined as requisites for making communication effective.
3. The definition refers to the process of communication. Communication is best described as a *process,* because it is active, continuous, reciprocal and dynamic. For convenience, we can discuss separate elements of the communication process such as senders, receivers, or messages, as if they were static and discrete. However, any model that portrays communication as, beginning with a sender and proceeds until it reaches a receiver inadequately represents the dynamics of communications.[4]

Communication implies exchange of information and understanding among people. It involves
(i) transmission and reception of messages
(ii) people are involved
(iii) process

SIGNIFICANCE

Effective communication is important for managers in organisations to perform their basic functions of planning, organising, leading, and controlling. The process of communication makes it possible for managers to carry out their task responsibilities. Information must be communicated to managers so that they will have a basis for planning—the plans must be communicated to others in order to be carried out. Organising requires communicating with others about their job assignments. Leading requires managers to communicate with subordinates so that group goals can be achieved. Written and oral communications are an essential part of controlling. Managers can carry out their management functions only by interacting and communicating with others. The communication process is, thus, the foundation upon which management functions depend.[5]

Managers, in general, spend as much as 37.5 hours communicating per week.[6] Thus, a large share of managerial time is devoted to the activity of communication. Rarely are managers alone at their desks thinking, planning or contemplating alternatives. In fact, managerial time is spent largely in face-to-face or telephonic communication with subordinates, peers, supervisors, suppliers, or customers. When not confering with others in person or on the telephone, managers may be writing or dictating memos, letters or reports sent to them. Even in those few periods when managers are alone, they are frequently interrupted by communications.[7] The time spent by managers on communication, and the attention it receives from them, speak about the importance of communication.

For organisations to function successfully, effective communication is a basic requisite. Interpersonal, intergroup and intragroup communications are essential for information to flow, ideas to generate, and feelings to be exchanged. What communication does for an organisation resembles what the bloodstream does for an organism. The communication system supplies all the units—departments, people of the organisation—with information. Deprived of oxygen, the cells malfunction and die. Deprived of the necessary information, individuals and departments within the organisation malfunction, which, can certainly lead to a sort of terminal ineffectiveness for them and for the organisation as a whole.[8]

Communication is significant as it serves four major functions within a group or organisation—control, motivation, emotional expression and information.[9]

Communication helps *control* member behaviour in more than one way. Organisations have authority, hierarchies and formal guidelines that employees are required to follow. When employees, for instance, are required first to communicate any job-related grievance to their boss; to follow their job description, or to comply with company policies, communication performs a control function.

Communication fosters *motivation* by clarifying to employees what is to be done, how well they are doing and what can be done to improve performance if it is below standard.

For many employees, their work group is a primary source for social interaction. The communication that takes place within the group is a fundamental mechanism by which members show their frustrations and feelings of satisfaction. Communication therefore, provides a release for the *emotional* expression of feelings and for fulfilment of social needs.

Communication provides *information* to individuals and members for making a decision by identifying and evaluating alternative choices.

Communication can play a major role in changing people's attitudes. It is said that a common approach in moulding or changing an employee's attitudes is to supply information on the objects or issues towards which attitudes are directed. Company magazines, bulletin boards, pamphlets, meetings, educational programmes, newspaper advertising, and many other forms of written and verbal communication, formal and informal in character, are used for this purpose. Underlying their use is the belief that communication is a powerful factor in moulding attitudes—that well-informed individuals will have 'sounder' attitudes than those who are ill-informed.[10]

Communication is the essence of *social behaviour*. In everyday living, the mere presence of another person encourages communication. It is a universal human propensity and, "you cannot not communicate."[11]

Most importantly, communication plays an important role in *knowledge management*, particularly in minimising the "silos of knowledge" problem that undermines an organisation's potential. This relates to the increasing importance of communication in decision-making. As organisational environments become more complex, decision-makers need information from many people to perceive problems, recognise new product ideas and identify emerging customers' needs. Canon, the Japanese optics and electronics firm, recognised this through its emphasis on "heart-to-heart and mind-to-mind communication". This corporate philosophy encourages employees worldwide to share information on customers and products so that they can make more informed choices about corporate actions. British Telecom does the same thing. By encouraging ongoing communication, employees create "knowledge moments"—instances where shared knowledge result in better decisions.

Role of communication in knowledge management is no less significant than its role in facilitating managerial functions, changing people's attitudes, and enabling social behaviour.

As a part of knowledge management, APTECH, the Indian computer education firm, has been developing and implementing a company-wide Enterprise Information System (EIS). EIS extends across the entire network of over 1,200 centres in 30 countries and covers every element of its training operations, from centre automation to academics to quality administration to online delivery of education to complete integration into the SAP-ERP systems that are used for accounting, logistics and distribution. The ardous but exciting systems journey has demanded a revisiting of many processes, budgetary controls and the entire materials management process of requisitioning, ordering, printing and supply from central stores to regional and country offices to each education centre and finally into the hands of the quarter million students in APTECH.[12]

What specific implications communication has to HR managers? Senior HR executives need to communicate with several stakeholders such as investors, customers, line managers, employees and HR professionals.[12(a)]

- With investors, communication focuses on how intangibles become a determining factor in the creation of sustained market value.
- With customers, communication focuses on their needs and HR practices can be aligned with customer expectations, with a view to increasing market share. In addition to responding to customer feedback, action may involve ways to engage customers in designing and delivering HR practices.
- With line managers, communication centres on delivering business strategies through prioritising and creating organisation capabilities. Actions follow ideas as the concept of capabilities translates into investments of budget, time, focus and energy.
- With employees, communication provides insight into an employee value creation. Actions may then be identified to ensure that employees have both the ability and the attitude to do what is expected of them.
- With HR professionals, communication helps HR leaders fulfill their roles and demonstrate the competencies that are required to deliver value.

The role of communication in knowledge management, explained above, also revolves around HR professionals, for it is these people who are actively involved in knowledge management.

The discussion on communication in this chapter is divided into two parts: Interpersonal communication and organisational communication.

INTERPERSONAL COMMUNICATION

The process of interpersonal communication is illustrated in Fig. 18.1. The model comprises several parts: (1) the sender, (2) encoding, (3) the message, (4) the channel, (5) decoding, (6) the receiver and (7) feedback. Each of these components needs elaboration.

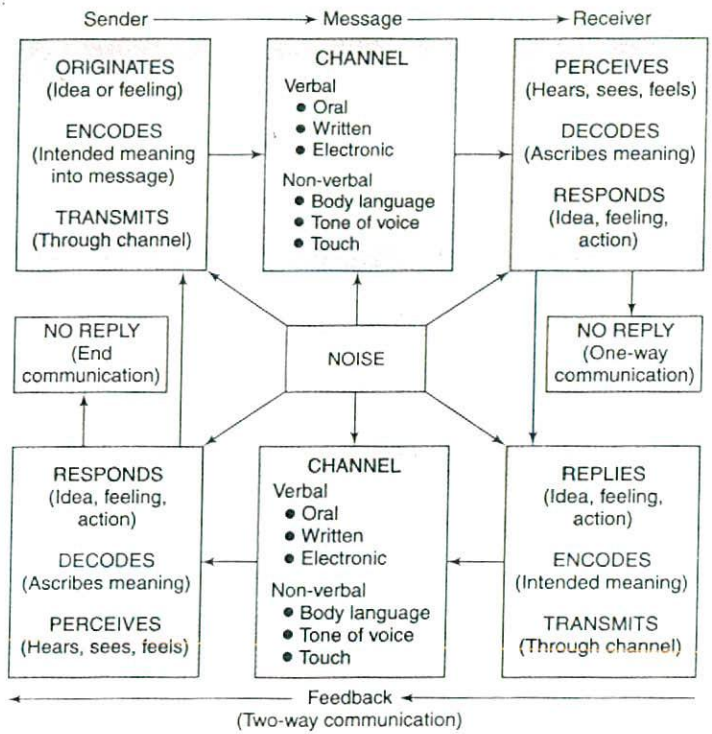


Fig. 18.1 A Model of the Interpersonal Communication Process

(***Source:*** Adapted from *Management and Organisational Behaviour*, by Curtis W. Cook and Philip L. Hunsaker, p. 275)

The communication process begins with the **sender** or the source. The sender has an intended message to communicate. The characteristics of the sender influence the communication process. The sender's attitude, credibility and other attributes influence the way he or she perceives and interprets the objects or events to be communicated. His or her personality also influences the manner in which the message is transmitted. A sensitive person, for instance, will look at the communication process from the receiver's perspective, an insensitive person will be primarily concerned with his/her own needs.[13]

The sender **encodes** the information to be transmitted by translating it into a series of symbols or gestures. Encoding is necessary because information can only be transferred from one person to another through representation or symbols. Encoding can be fairly simple such as seeing a picture of what one wants and then ordering a *samosa* and tea. It can also be extremely difficult such as finding the right words to explain why an employee's performance leaves much to be desired.

The **message** is the physical form into which the sender encodes the information. "When we speak, the speech is the message. When we write, the writing is the message. When we gesture, the movements of our arms, the expression on our face are the messages."[14]

The **channel** is the medium through which the message is transmitted. Oral communication via sound waves is the **verbal** channel utilised in speeches, meetings, phone calls, or informal discussions. Face-to-face oral communication accounts for 81 per cent of a manager's communication each week, of which 45 per cent is with subordinates, 15 per cent with superiors, 18 per cent with peers and 24 per cent with people outside the organisation.

Non-verbal channels such as touch, facial expression and tone of voice can convey nuances of meaning mere words are not capable of communicating. Although aware of non-verbal signals, many of us fail to recognise their importance in amplifying, changing or negating verbal communication.

Written communication channels include letters, memorandum, reports, manuals and forms. Written materials provide hard copies for storage and retrieval in case documented evidence is needed later.

Electronic channels include e-mail, voice mail, portable telephones, facsimile (fax) machines, tele-commuting, networked computers (integrated databases, on-line 'chat session' etc.) and video conferencing. Electronic mail (e-mail) enables people to exchange messages through computers. Interpersonal messages can just as easily be transmitted overseas as to an adjacent office. Computer-to-computer communications can also involve bill payments, invoices or purchase orders. Voice mail is a computer-based answering system accessed by telephone to receive or transmit messages. Cellular telephones can be used while driving, during luncheon meetings or while walking between appointments. Portable fax machines can be hooked up in a car or other location when hard copies of communications are required. Telecommuting refers to one of the ultimate uses of electronic communications where employees actually work at home while linked to the office through computers, data networks, fax machines and telephones.

Online technology can improve communication efficiency and result in better productivity. On the other hand, minimising face-to-face contact and opportunities for soliciting feedback can lead to misunderstandings and lack of non-verbal support, which are often the keys to effective communication and motivation. Face-to-face discussion has the potential of being the most complete and effective channel, followed by telephone conversations, informal letters and memos, electronic mail, formal written documents, and formal quantitative documents such as computer printouts of financial statements.

The **receiver** is the person who receives the message and has the responsibility of decoding it. **Decoding** is the process by which the symbols are interpreted by the receiver. Although some complex messages (such as those in foreign languages) require an actual translation, in most cases decoding is simply the interpretation of the message by the receiver.

A **feedback** is the response of the receiver to the message. A feedback is desirable because it helps the sender find out if the receiver has correctly interpreted the message. It is a check on how successfully the sender has been transmitting messages as originally intended.

In both transmitting the message and receiving feedback, the message may be disrupted by *noise*, which includes anything from ambiguous wording of a message to a poor telephone connection or static from a poor TV antenna. Any factor that disrupts, distorts or interferes with the receiver's ability to receive the message is called noise.

Noise, it may be stated, is not a part of the communication process. It is, in fact, a barrier.

TYPES OF COMMUNICATION

There are several forms of interpersonal communication in organisations. The most common form is the *spoken word*, since it is the quickest. Further, oral communication is likely to be quite accurate because messages can be clarified through ongoing dialogues.

In addition to oral communication, there is *written communication* which supplements oral communication. Employees devote a large portion of their workdays in sending messages in written form. Memos, letters, reports, orders, e-mail and the like can serve as permanent records in addition to conveying messages.

A third form of communication is *non-verbal* which consists of unspoken clues that a communicator sends in conjunction with spoken or written messages.[15] For example, a person's tone of voice, facial expressions, eye behaviour, head-nodding, nose-thumbing, thumb movement, are all non-verbal cues. One's posture and manner of walking also may have communication significance. A person may walk as though he/she is 'master of all he/she surveys', or he/she may walk in manner which indicates utter despair. Popularly called 'body language or kinesis', human physical movements indicate various meanings. A frown on the face, for instance, is an expression of unhappiness and raised eyebrows indicate disbelief or amazement. (Read Exhibit 18.1 for details of body language and the interpretation of each movement.) Even the physical distance between two individuals engaged in private conversation reflects the nature of their relationship. The way people make use of the physical distance is called proximity.

Exhibit 18.1 ***Body Language***

Expression	Interpretation
Facial frown	Displeasure, unhappiness
Smile	Friendliness, happiness
Raised eyebrows	Disbelief, amazement
Narrowed eyes, pursed lips	Anger
Eye contact	
Glancing	Interest
Steady	Active listening, interest, seduction
Gestures	
Pointing finger	Authority, displeasure, lecturing
Folded arms	Not open to change, preparing to speak
Arms at the side	Open to suggestions, relaxed
Hands lifted outward	Disbelief, puzzlement, uncertainty
Body Postures	
Fidgeting, doodling	Boredom
Hands on hips	Anger, defensiveness
Shrugging shoulders	Indifference
Square stance	Problem solving, concerned, listening
Fidgeting, biting lips, shifting, jingling money	Nervousness
Sitting on edge of chair	Listening, great interest
Slouching in chair	Boredom, lack of interest

Strangers converse from a greater distance than the acquaintances. Close friends or lovers show the greatest physical proximity. Less talked about but equally significant are such non-verbal symbols as the sort of clothes a person wears, the kind of car he drives, his hair-style and his beard. And not to be ignored is the style of print (handwritten, typed or printed) and the kind of paper used in a written message, as these are important non-verbal characteristics.

Though verbal and non-verbal communications are separate, both operate at the same time. The verbal part of a message conveys content or information. The non-verbal component indicates how the verbal message should be interpreted and thus is a meta-communication.

Whenever verbal and non-verbal messages contradict each other, people are more likely to believe the non-verbal. In fact, it has been suggested that the total impact of a message is a function of the following.[16]

Total impact = 0.07 verbal + 0.38 vocal + 0.55 focal

BARRIERS TO EFFECTIVE COMMUNICATION

Because of the complexity of the communication process, problems arise at every stage resulting in distortion of communication. Noise, as a barrier, was identified in the communication model. Some more barriers to effective communication are explained below. For convenience of study, the barriers have been classified into three categories—sender-related barriers, situation-related barriers, and receiver-related barriers (*see* Fig. 18.2).

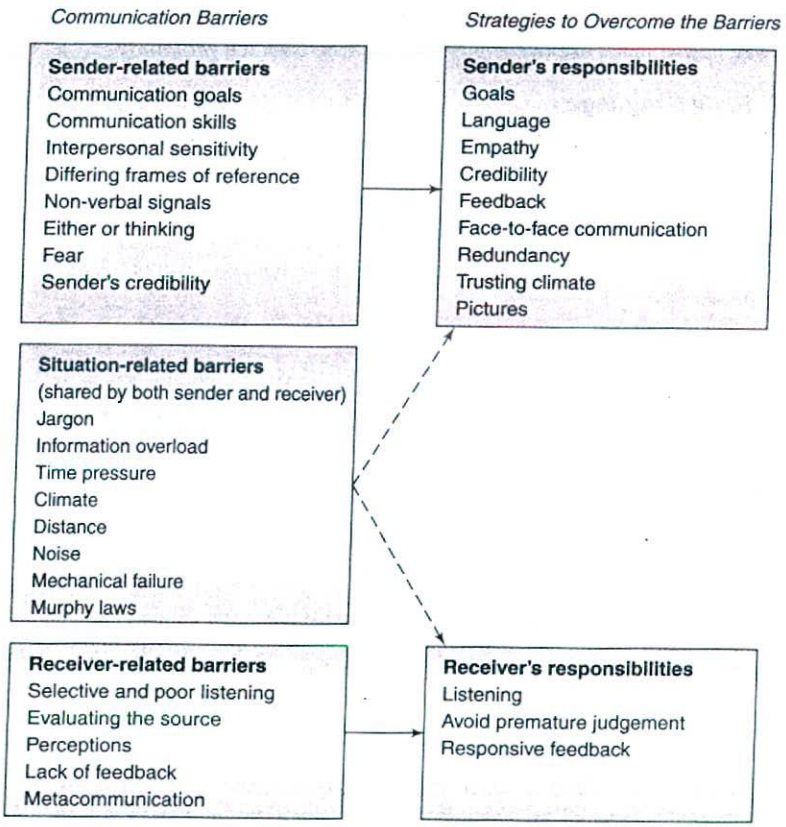


Fig. 18.2 Barriers and Strategies to Overcome the Barriers

Sender-related Barriers The sender is responsible for defining the communication, encoding ideas, thoughts, and feelings to messages that can be understood by the receiver, and creating a favourable communication climate. When this responsibility is not appropriately discharged, communication is bound to be ineffective.[17]

The following communication barriers are caused by or related to the sender.

Communication Goals There must be some goal or objective of communication. This goal provides the sender with the basis for formulating the message. Lack of such a goal can lead to formulation of incoherent messages.

Communication Skills Communication skills refer to clarity of thought, correct word usage, grammatical accuracy, proper delivery of messages, correct spelling or pronunciation, and proper organisation of sentences or speeches. Absence of these makes it difficult for the receiver to understand the message clearly.

Interpersonal Sensitivity Lack of interpersonal sensitivity is another reason why communication may fail to achieve its goal. The sender may convey the message clearly and correctly to the receiver but fail to get the intended results, because the message does not motivate the receiver to respond positively. Insensitive individuals often use a language which is offensive to the receivers. They are also indifferent to the needs and feelings of others.

Differing Frames of Reference Effective communication requires that the encoding and decoding processes be based upon a common field of experience. Lack of shared experience may result in miscommunication.

Inconsistent Non-verbal Signals The tone of voice, facial expressions and body postures can help or hinder communication. For example, a quarrel at home may make the boss shout unnecessarily or speak in an angry voice to his/ her subordinates at work.

'Either Or' Thinking An individual's behaviour is often based on 'either or' thinking. Early in one's life, a person learns to use such so called polar terms as near/far, objective/subjective, black/white, that/this, and he/she thinks and speaks in this way. But most of the things do not conform to these convenient extremes. By taking the position of either/or, a person is committed to a position where compromising or correctly viewing a situation is not possible. This places rigidity in communication.[18]

Fear Fear is another barrier to effective communication. A person under the influence of fear is likely to lose balance, and his/her communication skills will be affected adversely. On the other hand, fear is likely to promote effective communication by making the sender more alert while transmitting a message.

Sender's Credibility A sender's credibility refers to the attitude the receiver has towards the reliability or trustworthiness of the sender's message. Expertise, reliability, intentions, warmth, dynamism, and reputation are the characteristics which contribute to credibility. The amount of faith the receiver places on the message depends on his or her evaluation of the sender. The more the receiver trusts the sender, the greater will be the receiver's willingness to listen to the sender's message. No receiver will take a sender seriously if there is a wide chasm between what he/she preaches and what he/she practises.[19]

Receiver-related Barriers The receiver is responsible for effective communication as much as the sender is. Communication will be effective when the receiver evinces keen interest in the message transmitted and provides a feedback to the sender. If the receiver fails to do this, poor and ineffective communication results.

Barriers related to the receiver are as follows:

Selective and Poor Listening Selective listening refers to people's tendency to hear only what they want. We are likely to listen to what we like to listen to, and disregard information that creates cognitive

dissonance or is threatening to our self-esteem. We try to ignore information that conflicts with established beliefs or values.

Poor listening also distorts communication. There are six bad habits that prevent effective listening—**(i)** faking attention, **(ii)** listening too hard for small details such that major points are missed, **(iii)** refusing to listen when the subject matter is difficult, **(iv)** dismissing a subject prematurely as uninteresting, **(v)** criticising the delivery or physical appearance of the sender, and **(vi)** yielding to distractions.

Evaluating the Source The receiver has a tendency to evaluate the sender and not the message. If the receiver says, "I don't like the person" or "I don't like what the person is saying", the message hardly reaches the receiver.

Perceptions The receiver's perceptions-stereotyping, projection, and halo effect-make communication ineffective. *Stereotyping* refers to the tendency to categorise people into a single class on the basis of some trait. By comparing the sender with others on the basis of a common trait, the receiver loses objectivity and openness which are essential for effective communication. *Projection* is a perceptual process by which we try to attribute our own thoughts and feelings to others. Projection interferes with accurate comprehension or communication because people only perceive mirror images of their own thoughts, not the actual images trying to be conveyed by others.[20] The *halo effect* refers to the process of forming opinions based on one element from a group of elements, and generalising that perception to all other elements. The good attendance record of an employee, for instance, may cause positive judgement of his/her productivity, attitude, or quality of work. The halo effect is likely to distort communication by colouring the receiver's perceptions.

Stereotyping seeks to categorise people into a single class on some trait.
Projection is attributing our own thoughts and feelings to others.
Halo effect makes us form opinion on an individual based on one element.

Lack of Response Non-response, or inappropriate response discourages the sender of the message. A non-response means that the receiver is not interested in the message, and it is difficult to communicate with such a person. An inappropriate response hurts the sender's ego or feelings.

Metacommunication Metacommunication means an additional idea accompanying every idea that is expressed. The following incident involves a typical metacommunication:

A manager and his foreman were standing at the latter's office. Upon hearing the girls in the office burst into loud laughter, the manager said, "The girls seem happy this morning the way they are talking and laughing." That was his communication. From this sentence, the foreman got one or more of the following messages, "Your secretaries are loafing on the job", "Your secretaries do not take their work seriously", "You are not exercising proper control". Later, the foreman reprimanded the girls and changed their working stations (at the expense of good morale).[21]

The receiver is more likely to concentrate on the metacommunication than on the communication itself. This results in miscommunication.

Situation-related Barriers Several communication barriers are attributed to factors other than the sender and the receiver. These barriers are explained below:

Jargon Jargon means unintelligible or meaningless talk or writing, familiar only to a group or profession. It is full of special words known only to the members of a group or profession. Each profession has its own jargon or special vocabulary. When it is used outside the group, it becomes unintelligible.

The following story clearly brings out how jargon acts as a barrier to effective communication.

An American plumber wrote to the Bureau of Standards in America saying that he found hydrochloric acid good for cleaning clogged drains. He wanted to know whether he was doing the right thing. The

Bureau replied, "The efficacy of hydrochloric acid is indisputable, but the corrosive residue is incompatible with metallic permanence." The plumber wrote back and said he was happy that they agreed. The Bureau wrote again "We cannot assume responsibility for the production of toxic and noxious residues with hydrochloric acid and suggest that you use an alternative procedure." The plumber wrote again saying how happy he was that they agreed with him. Finally, the Bureau wrote, thus "Don't use hydrochloric acid. It eats the hell out of pipes."

Well, the plumber did not use it. The plumber understood when it was written in plain English. He had not understood earlier when it was all written in scientific jargon.

Information Overload When receivers are bombarded with more messages than they can possibly handle, they experience communication overload. Because of this information overload, the receiver cannot accommodate a heavy load of message from the sender. Poor communication or miscommunication will be the result.

Time Pressure Time pressure can cause poor communication by preventing the sender from providing adequate information to the receiver. As a result, communication may become relatively superficial, and this superficiality can adversely affect effective communication.

Communication Climate The climate in which communication takes place influences its effectiveness. If communication takes place in an atmosphere of trust and confidence, it is likely to produce a positive response. If a message is incomplete, the receiver is likely to fill in the missing part with favourable interpretations. Conversely, if communication takes place in a climate where distrust prevails, even a well-intended message can be distorted to give a negative meaning.[22]

Noise Noise, as was shown in Fig. 18.1, affects communication adversely. Noise will disrupt, distort, or interfere with the receiver's ability to receive the message accurately.

Distance There will be delay in communication if the distance between the sender and the receiver is long. This is particularly true if the mode of communication is letter writing. Communication delayed is communication denied.

Mechanical Failure The failure of mechanical equipment in disruption of communication is too clear to necessitate any elaboration.

Murphy's Laws on Communication It is useful to quote the laws codified by the Murphy Centre for the Codification of Human and Organisational Laws. After extensive research, the Centre has codified certain laws relating to communication. Two of them are:

1. Communication usually fails, except by chance.
2. If a message can be understood in different ways, it will be understood in just the way that does the most harm.

? Pause and Ponder

Did you at any time in the past land yourself in a situation of you being misunderstood? If yes, whose fault was it? In the light of your experience have you learnt any lessons?

OVERCOMING COMMUNICATION BARRIERS

Barriers can be overcome if conscious efforts are made by both the sender and the receiver. The efforts shall be on the following lines:

Sender's Responsibility Being the initiator of the communication process, the sender has the following responsibilities:

Setting Communication Goals The sender must set clear goals for communication. Depending on the purpose, modes of communication should vary. If the purpose is to disseminate information, a well-organised talk or written communication shall serve the purpose. On the other hand, if the purpose is to change the attitude or opinion of the receiver, a more skillful and empathic communication is needed.[23]

Using Appropriate Language Since language can be a barrier, the sender should structure messages in ways that will make them clear and understandable to the receiver. The sender must use appropriate and simple words so that the receiver can understand them correctly. He or she must avoid the use of jargon particularly when the receiver is not familiar with it. The receiver should realise that language is meant for conveying a message and not to exhibit one's rich vocabulary.

Practising Empathic Communication The sender must understand the receiver's frame of reference (assumptions, attitudes and beliefs) to understand how the message will be received and interpreted. This form of communication is known as empathic communication. It requires the communicators to place themselves in each other's frame of reference. Empathic communication will solve many problems associated with communication.[24]

Improving Communicator's Credibility Expertise and trustworthiness are the determinants of one's credibility. Expertise refers to one's mastery over the topic under discussion. Trustworthiness refers to the quality of showing, by action, what one preaches. The sender's credibility can be increased by mastering the subject of communication and building up trustworthiness.

Encouraging Feedback Effective communication can be achieved by obtaining feedback from the receiver. Feedback enables the sender to know whether the receiver has understood the message or not. Two-way communication promotes effective communication.

Using Face-to-Face Communication Effective communication can be achieved through face-to-face communication rather than through memos or letters. Furthermore, people are accustomed to expressing themselves more freely and with fewer reservations when talking, rather than in writing.

Using Correct Amount of Redundancy If a message is important or complicated, it is often necessary to repeat it in several different ways so that the receiver will understand it. Unnecessary redundancy or overuse of cliches, however, will make the message dull to the receiver. Redundancy is less necessary in written than in oral communication.

Developing Trusting Climate Effective communication cannot take place if a climate of trust does not exist between the sender and the receiver. It is imperative that a trusting environment is created before any genuine communication is attempted.

Using Pictures It is said that "one picture is worth a thousand words". The sender must, therefore, make use of illustrations and charts to put across the message clearly. But care should be taken to ensure that the picture fits with the message.

Receiver's Responsibility The receiver has a greater responsibility to make communication effective. If the receiver plays his/her part well, communication can be effective, irrespective of the barriers. The role of the receiver will be on the lines stated below:

Effective Listening Listening is an essential requirement of effective communication, but its importance is not, unfortunately, recognised by many. Reading, writing and public speaking are taught to students in schools and colleges, but students are left to falter on their own lines when it comes to listening.

Most listeners believe that listening is just a matter of sitting back and absorbing information like a sponge. Effective listening does not just happen. It requires much hard work and effort on the lines suggested in Table 18.1. The table contains 10 principles of good listening. These principles identify the major differences between good and bad listeners. Note what the good listener will do against each principle of listening.

Listening can achieve much more than effective communication. Active listening is an important way to bring about changes in people. Clinical and research evidence clearly shows that sensitive listening is the most effective agent for individual personality change and group development. Listening brings about changes in people's attitude towards themselves and others, and also brings about changes in their basic values and personal philosophy. People who have been listened to in this new and special way become emotionally more mature, more open to their experiences, less defensive, more democratic, and less authoritarian.

When people are listened to sensitively, they tend to listen to themselves with more care and make clear exactly what they are feeling and thinking. Group members tend to listen more to each other, become less argumentative, and more ready to accept others' points of view. Because listening reduces the threat of having one's ideas criticised, the person is better able to see them for what they are, and is more likely to feel that these contributions are worthwhile.

Not that the least important result of listening is the change that takes place within the listener himself or herself. Besides, the fact that listening provides more information than any other activity builds deep positive relationship and tends to alter constructively the attitudes of the listener. Listening is a growth experience.[25]

Unfortunately, most of us are mediocre listeners.

Barriers to Effective Listening Despite its importance in promoting effective communication, effective listening is often neglected. Many factors contribute to difficulties in listening.

Physiological Limitations Poor listening can be partly blamed on our physiological process. Most individuals have the ability to speak at about 120 words per minute, while our brains have the ability to recognise words at the rate of 600 or more words per minute. This gap creates a great deal of idle time for our brains to wander or process other fragments of information from various sources.

Inadequate Background Information Most listeners do not have sufficient information to engage in meaningful conversation.

Selective Memory Some employees treasure every accolade and cannot bear to hear any criticism. Others hear only the complaints and never the praise. Human beings have a tendency to hear only what they want to.

Selective Expectation Many employees expect to be withdrawn and not to be heard. This suits managers because they are always busy with immediate tasks and have no time to listen to each employee.

Fear of being Influenced or Persuaded Some managers hold certain beliefs so dear to their hearts that they are biased and unable to entertain another's point of view regarding an issue. Typically, managers who feel this strongly about an issue have a tendency to turn off speakers disputing their cherished beliefs even before they are fully explained.

Bias and Being Judgemental When one does not like a person, it's hard to hear what he/she says. Sometimes this bias is based on wrong or incomplete information.

Partial Listening and Distractions Managers may hear the spoken word, but miss the connotation, the facial expressions or the intonations. In essence, he/she gets only part of the message.

Table 18.1 **Principles of Effective Listening**

Principle	*Good Listener*	*Bad Listener*
1. Look for areas of interest	Seeks personal enlightenment and/or information, entertains new topics as potentially interesting	Turns out dry subjects, narrowly defines what is interesting.
2. Overlook errors of delivery	Attends to meaning and content, ignores delivery errors while being sensitive to any message in them.	Ignores if delivery is poor, misses messages because of personal attributes of the communicator.
3. Postpone judgement	Avoids quick judgements, waits until comprehension of the core message is complete	Quickly evaluates and passes judgement, inflexible regarding contrary messages.
4. Listen for idea	Listens for ideas and themes. Identifies the main points.	Listens for facts and details.
5. Take notes	Takes careful notes and uses a variety of note taking or recording schemes depending on the speaker.	Takes incomplete note using one system.
6. Be actively responsive	Responds frequently with nods, 'uhhuhs'! etc. shows active body state, works at listening.	Passive demeanour, few or no responses, little energy output.
7. Resist distractions	Resists being distracted, longer concentration span, places loaded words in perspective.	Easily distracted, focuses on loaded or emotional words, short concentration span.
8. Challenge your mind speed	Uses difficult material to stimulate the mind, seeks to enlarge understanding.	Avoids difficult material, does not seek to broaden knowledge base.
9. Capitalise on mind speed	Uses listening time to summarise and anticipate the message, attends to implicit message, as well as explicit messages.	Daydreams with slow speakers, becomes preoccupied with other thoughts.
10. Assist and encourage the speaker	Asks for clarifying information or examples, uses reflecting phrases, helps to rephrase the idea.	Interrupts, asks trivial questions, makes distracting comments.

Source: David J. Cherrington, *Organisational Behaviour*, p. 577.

Selective Perception Selective perception is a process where one selects or pays attention to only that information that adheres to or reinforces one's own beliefs, views, or needs, causing severe distortion of messages.

Interference from Emotions Communication is susceptible to interference by emotions. Though one uses communication to express one's emotions, not everyone is able to understand, control or explain their feelings adequately or fully. Emotions are neither right nor wrong but rather an expression of human reactions. By observing non-verbal cues, one is better able to interpret the true level and type of other's emotional state. One can then utilise empathy to neutralise emotional responses, paving the way to begin

work on understanding the content of the communication. The emotional state of both the sender and the receiver must be considered for eliminating problems in the communication process.

Avoid Evaluative Judgement The receiver must avoid making premature judgements about the sender and his/her message. Such judgement, positive or negative, will distort communication. It is the receiver who needs to create a climate that fosters acceptance, trust, and understanding.

Provide Responsive Feedback Responsive feedback refers to the understanding of the message by the receiver, and what he/she feels about the problem. The purpose of sending responsive feedback is to engage in constructive dialogue and to achieve a common ground in communication.

ORGANISATIONAL COMMUNICATION

All the factors discussed in connection with interpersonal communication apply to communication in organisations as well. However, there are certain unique features about the latter which need special treatment. They are: factors of communication, communication flows, communication networks and informal communication.

Factors Influencing Organisational Communication

Four factors influence the effectiveness of organisational communication. They are: **(i)** formal channel of communication, **(ii)** authority structure, **(iii)** job specification, and **(iv)** information ownership.

Formal Channel of Communication A formal channel of communication is a means of communication that is endorsed and probably controlled by managers. Examples include newsletters, memos and reports, and staff meetings.

Formal channels influence effectiveness of communication in two ways. First, the formal channels cover an ever widening distance as organisations develop and grow. For example, effective communication is usually far more difficult to achieve in a large multiplant conglomerate than in an organisation with a single plant. Second, the formal channels of communication can inhibit the free flow of information among organisational levels. An assembly line worker, for example, will often communicate problems to a supervisor rather than to the plant manager.

Authority Structure The organisation's structure has a similar impact on communication effectiveness. Status and power differences in the organisation help determine who will comfortably communicate with whom. The content and accuracy of the communication will also be affected by authority differences. For example, conversation between a Vice Chancellor and an assistant clerk may well be characterised by somewhat strained politeness and formality.

Job Specialisation Specialisation tends to separate people in organisation, as jobs are, by nature, separate identifiable collections of activities. Once people are separated, they tend to develop their own interpersonal styles and acquire their own perspectives about organisation's goals and means to realise them.

Job specialisation facilitates communication within different groups. Members of the same work-group are likely to share the same jargon, time horizons, goals, tasks and personal styles. However, communication between groups is likely to be inhibited.

Information Ownership The term information ownership means that individuals possess unique information and knowledge about their jobs. For example, a darkroom employee may have found a particularly

efficient way to develop photoprints. A department head may have a particularly effective way of handling conflict among employees, and a salesperson may know who the key decision-makers are in major accounts. Such information is a form of power for the individuals who possess it. With such information they are able to function better than peers. Many individuals with skills and knowledge are unwilling to share these with others. As a result, completely open communication within the organisation does not take place.

Information ownership means that individuals possess unique information and knowledge about their jobs. Individuals do not like to share such information with others.

Communication Flows

Within organisations there are five directions in which communication flows: downward, upward, lateral, diagonal and external (*See* Fig. 18.3).

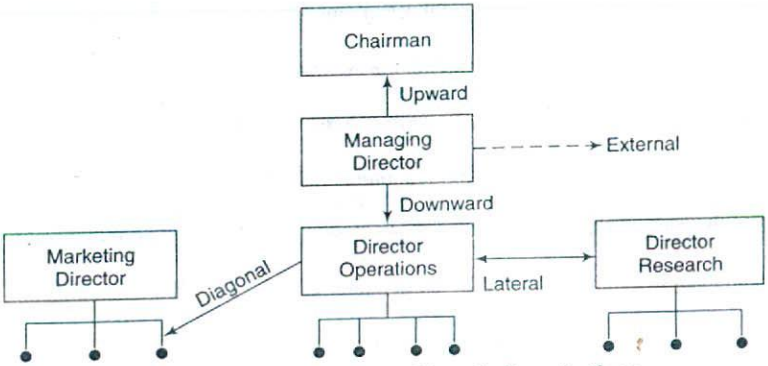


Fig. 18.3 Communication Flows in Organisations

? Pause and Ponder

Draw a similar structure for a typical HR department. Show different communication flows in the figure. Describe each of them.

Downward Flow Downward flow refers to the communication from superiors to subordinates, and corresponds to the chain of command or line of authority. The primary purpose of this type of flow is to convey job-related information to employees at lower levels. Employees need such information to carry out their jobs and to meet the expectations of their superiors. Absence of downward flow results in role ambiguity, stress and anxiety among employees. Typical downward communication includes group meetings, budgets, operational procedures, circulars, company publications and the like.

There are five specific ways for downward communication. They are:

(a) *Specific task directives:* Instructions about the job are specifically worked out and are communicated to the employees through direct orders, training sessions, training manuals and written directives.

(b) *Job rationale*: This information is designed to provide employees with a full understanding of the job and how it relates to other jobs.

(c) *Procedures and practices:* In addition to instructions about the job, employees are also informed about other obligations and privileges in the system, for example, they are told about vacations, sick leave, rewards and sanctions.

(d) *Feedback:* This is an appraisal about how a person performs assigned tasks.
(e) *Indoctrination of goals:* This includes communication of the organisation's ideology presented in the corporate mission.

Distortion of Downward Communication Distortions generally make downward communication ineffective. There are four reasons for this distortion:

(a) *Reliance upon written diffusion methods:* Many organisations rely too much on written and mechanical manuals, films, newsletters, public address systems and booklets. These are used instead of contact and face-to-face communication.
(b) *Message overload*: In some organisations employees are overburdened with bulletins, memos, letters, announcements, magazines and policy statements. Employees tend to react by not reading or not listening to the messages. Some employees even file all or most written messages in the 'circular file', better known as the 'waste basket'.
(c) *Timing:* Different employees receive messages at different times. Consequently, employees may receive the information too late for appropriate action or after they have heard it from unofficial sources. This sequence of events implies that management initially did not want the employees to have the information.
(d) *Filtering:* Messages tend to be changed, shortened or lengthened as they are relayed through a network. This effect can be seen plainly in messages that travel down an organisation. Filtering can be due to various factors such as the number of links in a network, perceptual differences among employees and lack of trust in a supervisor.

Improving Downward Communication Managers must consider the following three elements to make downward communication distortion-free:

(a) They must specify an objective for communicating.
(b) They should make sure that the content of their communication contains qualities like accuracy, specificity and no hidden meanings.
(c) They should employ the best communication technique to get the message across to the receiver.

Additionally, placing too much faith in the downward flow is not desirable. Managers, who assume that their supervisory hierarchy is an adequate channel for transmitting messages that will readily be received by employees, may be subject to rude shocks.

Upward Flow Upward or bottom-up flow is designed to provide feedback on how well the organisation is functioning. Lower level employees are expected to provide upward communication about their performance and problems.

Upward communication encourages employees to participate in the decision-making process and to submit valuable ideas. It also provides feedback on how well subordinates have understood downward communication.

Furthermore, upward communication serves as a way for supervisors to know the subordinates, diagnose misinterpretations, disclose the first symptoms of tension and difficulties, and make subordinate's views more visible to superiors. In addition, when organisations give employees the opportunity to voice dissatisfaction to higher levels, employees tend to be more committed to the organisation.

The most common forms of upward communication include suggestion boxes, open door policies, group meetings, grievances, questions and feedback.

Distortion of Upward Communication The basic problem in upward communications stems from the nature of the hierarchical organisation. The traditional role of managers is to direct, coordinate and control the people below them. Some managers are less in the habit of listening to their subordinates than in

telling them how to perform. Subordinates too fall into a traditional mindset: they are expected to listen to their bosses rather than to be listened to.

Filtering of information may also take place. Employees will not send those messages that supervisors do not want to hear. This is especially true if the information affects the subordinates adversely. Subordinates will not only tell the supervisor what he/she wants to hear, but will also tell the supervisor only what they want the supervisor to know. Moreover, many subordinates perceive that full and objective reporting may be regarded as espionage by peers.

In general, employees tend to fear that expressing their true feelings about the company to their boss could be a dangerous act. The boss is often seen as untrustworthy and a person to whom it is dangerous to talk with full candour.

Additionally, employees have little opportunity to send communication upward. Their managers are often not available. The nature of hierarchy also impedes upward communication as numerous employees attempt to communicate to one or a few managers in the organisation. It is, therefore, difficult for a manager to communicate with many subordinates on an individual basis.

Another problem with upward communication is that organisations typically rely on lower-level members to initiate it. Instead of actively soliciting information and providing channels for receiving it, managers frequently adopt an open door policy and assume that individuals who have something to communicate will do so voluntarily.

Improving Upward Communication Management can develop upward communication by encouraging better listening, by building trust, and by responding to messages that are received. Various practices may also be used to improve upward communication such as counselling, grievance systems, consultive supervision, meetings, suggestion systems and job satisfaction surveys.

Four prevalent strategies for encouraging upward communication are the open door policy, suggestion systems, participation in a social group and the encouraging of letters from employees.

The *open door policy* states that employees are welcome to come to their manager's offices, or perhaps to those of other managers, to discuss any matter that concerns them. The policy is attractive in theory because it indicates a willingness to communicate, but it has limitations in practice. Psychological and social barriers frequently make employees reluctant to approach a manager. A climate of openness and trust must be present to assure the success of this tactic. For instance, an employee must not be afraid of revealing ignorance about a topic when discussing it with a higher level manager. Employees must not be afraid of saying something that will incur their manager's disfavour. An interesting variation of the open door policy is the system of Management by Wandering Around (MBWA). Here, managers are encouraged to develop more open communications by strolling around the office or production plant and talking to subordinates.

Suggestion systems are formal programmes that encourage individual employees to recommend work improvement. If managed correctly, these programmes can be tremendously successful. At times, suggestion systems are less successful because they rely primarily on written communication, hence the motivation that comes from face-to-face communication is lacking.

Participation in informal, casual recreational events furnish good opportunities for upward communication. This type of communication is generally spontaneous. The upward communication is not the primary purpose of an event but a natural by-product of it. Japanese companies have systemised this strategy by providing managers with an expense account for regularly entertaining their subordinates.

Employee letters supply the final upward communication technique. Many companies have a periodic newsletter in which they print letters from their employees as well as responses from various managers. Some large companies have newsletters at lower organisational levels—such as at production facilities—to encourage more letters and responses.

In summary, upward communication requires special attention because the very nature of the hierarchical organisation works against it. This valuable channel of information will not be maximised unless specific procedures are implemented and managers are continually sensitive to the psychological and sociological problems inherent in the proceeds.

Lateral Flow Also called horizontal communication, lateral flow takes place between peers. It is needed to achieve cooperation among group members and between work-groups. Furthermore, lateral flow provides emotional and social support to individuals. It contributes to the development of friendship and informal work-groups.

When communication flows between peers, it is said to be lateral or horizontal communication. Horizontal communication serves atleast four purposes. It facilitates—

- task coordination
- problem solving
- information sharing
- conflict resolution

There are several purposes why horizontal communication takes place. The first is *task coordination*. Heads of sections or departments may meet every month to discuss how each section or department contributes to the company's goals. Another purpose is *problem solving*. The members of a section or a department may assemble to discuss how to handle a threatened budget and may employ some of the techniques, such as Delphi Technique or Nominal Group Technique, to solve the problems. Another reason for horizontal communication is *information sharing*. Here, members of different departments may meet to share information. Another reason is *conflict resolution*. Members of one department may meet to discuss a conflict within the department or with another department.

Problems in Horizontal Communication Horizontal communication is often discouraged for certain reasons. First, too much horizontal communication may weaken the organisation structure. Too many messages flowing in all directions would lead to anarchy.

Second, departments do not generally like to share information with other departments because of rivalry.

Finally, too much of job specialisation results in each department becoming an island by itself, having little in common to share with other departments.

Improving Horizontal Communication As already mentioned, excessive reliance on horizontal communication may undermine the authority structure of an organisation, yet too little lateral communication can result in a rigid and inefficient organisation. Consequently, the correct balance between vertical and horizontal communication must be found. This can be accomplished through flexible procedures that provide guidelines about when and how employees should use horizontal communication.

How can the problem of rivalry and competition be overcome? Task forces and committees composed of employees from different departments working on common problems are often a viable solution. When employees are working towards common goals, they are more likely to be cooperative rather than competitive. Another strategy is to conduct training sessions on teamwork in which employees gain an appreciation of horizontal communication.

Diagonal Communication Diagonal communication takes place between a manager and members of other work-groups. A manager needs this kind of communication to interact with employees in other managers' jurisdiction regarding his or her particular function. For example, a cost accountant interacts with plant personnel who deals with cost data. The diagonal communication network usually does not appear on the organisational chart, but a number of such networks are found in large organisations.[26]

External Communication External communication takes place between a manager and outside groups like suppliers, government, creditors, banks, financial agencies, environmentalists, consultants and the like. A business enterprise cannot operate in a vacuum. It must maintain contacts with outside agencies and external communication is needed for this purpose.

COMMUNICATION NETWORKS

While the downward, upward, lateral, diagonal and external flows are general, there are specific flows which exist within these broad categories. In upward communication, for example, an employee who wishes to communicate with the production manager may be required to do so through the immediate superior. These specific flows within the broad categories are called communication networks. A communication network may be understood, therefore, as the pattern of communication flows among various positions in an organisation. Networks may also emerge spontaneously in the course of interpersonal interaction. Whatever their basics, communication networks are a fact of organisational life. They enhance coordination and reinforce managers from being swamped with unwanted information, and reinforce authority structure. Furthermore, communication networks in groups can be important in determining who gets what information and how satisfied the members are with their functions or places in the groups.[27]

A communication network is the pattern of communication flows among various positions in an organisation. Communication networks may assume the form of—

- a wheel,
- a chain,
- letter 'y'
- a circle, or
- all channel

Most studies of communication networks have taken place in groups created in a laboratory setting. As a result, the studies have limited application because of their artificial settings and involvement of small groups

Though based on studies conducted in laboratories, communication networks can be extended to organisations. Let us assume that there are only five persons in an organisation namely, A, B, C, D and E. The wheel net in Fig. 18.4 represents four workers and a supervisor who is placed in the midst of the workers. Workers have no interaction among themselves. All communication among themselves must pass through the supervisor. The wheel is, therefore, a highly centralised network.

The same is true of the 'Y' network. In a chain, communication can move up or down, but not horizontally. The chain has all the appearances of an organisational chain of command with the first reporting to the second, the second to the third, and so on. The circle network allows each member an easy access to every other member in the group.

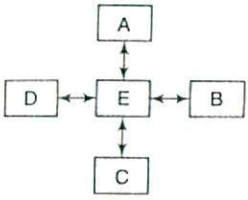
The relevant question now is which network is better than the other? The answer is difficult because each network has its own advantages and limitations, as shown in Table 18.2. Thus, among all the networks, the chain network scores high on all the factors, following 'Y' and others.

COMMUNICATION ROLES

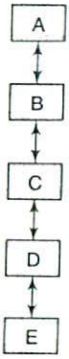
The specific functions an individual serves in an organisation's communication network constitute his/her *communication role*. Four such roles have been identified[28]—as gatekeeper, liaison, isolate and cosmopolite.

Gatekeepers A gatekeeper is an individual who passes information to others or controls messages. Common example of gatekeepers are secretaries and assistants to executives. A gatekeeper who has the ability to control the information or time its release actually controls the final decision. Generally, executives depend on gatekeepers to condense and edit incoming messages. This makes gatekeeper wield influence at higher levels in organisations.

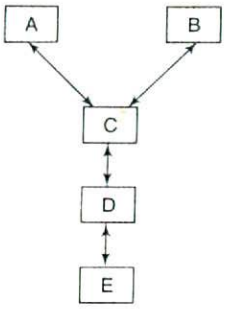
Liaisons An individual who serves as a communication link between groups but is not a member of either group is a liaison. This person serves as a bridge between groups that need to exchange messages. Organisations that use liaisons to link departments are relatively more effective than firms that do not.



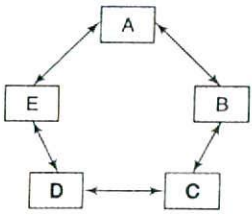
Wheel Network



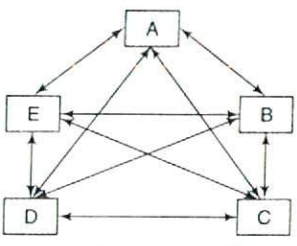
Chain Network



Y Network



Circle Network



All Channel Network

Fig. 18.4 Communication Networks

Isolates An isolate is someone who has very little or no conflict with other members of the organisation. Certain jobs, such as nightguard and messenger, are characterised by the absence of contacts with other organisational members. Yet some people whose jobs offer more opportunities for contact may still remain uninformed. They may consciously choose not to socialise with co-workers or participate in grapevines. Feelings of isolation tend to be associated with such social isolation.

Cosmopolites A cosmopolite is a person whose communication network frequently extends into the organisation's external environment. Cosmopolites are more interested in national rather than local affairs, and tend to have stronger professional affiliations. They are also likely to change jobs more frequently than

Table 18.2 **Performance of Networks**

Factors	*Wheel*	*'Y'*	*Chain*	*Circle*	*All Channel*
Speed	Fast	Moderate	Fast	Slow	Fast
Accuracy	Good	High	Good	Poor	Moderate
Emergence of Leadership	Very pronounced	Moderate	Marked	None	None
Satisfaction	Low	Moderate	Moderate	High	High

(*Source:* Adapted from Bavelas and Barrett, 'An Experiential Approach to Organisational Communications', *Personnel*, March 1951).

other employees. Like liaisons, cosmopolites can serve a gatekeeping function in that the firm's contact with and information from the outside world may be passed through them.

? Pause and Ponder

Placing HR manager as a cosmopolite, what specific tasks do you assign to him or her?

COMMUNICATION POLICIES AND COMMUNICATION AUDIT

An organisation's *communication policy* states **(i)** a set of objective the organisation wishes to achieve through communication, **(ii)** guidelines or directives to be applied to decision-making about communication-related issues, or **(iii)** a combination of both. The communication policy is either formally expressed or informally understood—mostly the latter. Consequently, implementation of the policy is not always feasible.

The *communication audit* is a tool for auditing communication policies, networks and activities. When an audit is used, organisational communication is viewed as a group of communication factors related to organisational goals.

Communication audit is a tool for auditing communication policies, networks and activities. In this audit, organisational communication is viewed as a group of communication factors related to organisational goals.

Communication activities are not ends in themselves, but are means of achieving organisational goals. Sometimes communication specialists will minimise the importance of organisational goals and put too much emphasis on the communication process. A communication audit should focus on communication as a means to meet the overall goals.

The four major communication networks that need to be audited are:

(i) The *regulative or task-related* networks pertaining to policies, procedures, rules and superior-subordinate relationships;

(ii) The *innovative* network, which includes problem solving, meetings and suggestions for change;

(iii) The *integrative* network, which consists of praise, rewards, promotions and those items that link enterprise goals with personal needs ; and

(iv) The *information-instructive* network, which includes company publication, bulletin boards, and the grapevines.

The communication audit then is a tool for analysing the relationship of communication to the managerial functions. The audit should be used not only when problems occur, but also to prevent communication-related problems from arising. The audit can take many forms and may include observations, questionnaires, interviews and analysis of written documents. Each audit should be followed by a formal report defining the current condition of communication, explaining whether or not organisational goals are being achieved.

INFORMAL COMMUNICATION

The discussion till now has been on formal communication. There is also informal communication, popularly known as grapevine. Grapevine exists outside the formal communication channels in organisations and is carried out either in face-to-the-face interaction or over the phone. The informal communication may be task-related (for example, shortcutting long chains of command) or social (for example, exchanging personal information, gossip and rumours).

Grapevine The word *grapevine* originated during the Civil War in America in which period telegraph lines were strung loosely from tree to tree in vine-like fashion. Messages sent over this haphazard system often became garbled, and any false information or rumour that came along was, therefore, ironically said to have come from the grapevine.

The following characteristics of the grapevine are worth noting:

- Grapevines are found in every organisation and they are virtually impossible to eliminate. It is only natural for employees to discuss matters of mutual concern, and even the closest monitoring of their conversations will not prevent them from occurring.
- Information usually travels more rapidly through the grapevine than through official communication channels.
- The grapevine is a more spontaneous form of expression and hence intrinsically more gratifying and credible than formal communication.
- In situation where official censorship and filtering occur, grapevine communication is more informative.
- On non-controversial topics related to the organisation, most of the information communicated through the grapevine (about 75 per cent) is accurate. Emotionally charged information, however, is more likely to be distorted.
- The number of people who serve as actual links in the grapevine is generally small (estimated to be less than 10 per cent of the groups).[29]

Along with formal communication, there is informal communication in every organisation. Informal communication also called grapevine, supplements formal communication. Only 10 per cent of the organisational members participate in the grapevine.

Three types of grapevine have been identified: *chain system, cluster system* and *gossip system*[30] (*See* Fig. 18.5). Some grapevines operate as a single-strand, chain system in which one member tells another, who in turn tells another, and so on. But such grapevines are uncommon. Most organisational grapevines operate as a cluster system in which a few individuals inform a cluster or a set of other people. A third type of grapevine, the gossip system, occurs when a single member non-selectively communicates with everyone he/she meets. Most organisational grapevines are cluster systems with occasional 'gossips' adding to the rate of spread.

Grapevines are inevitable in organisations. They play positive as well as negative roles. There are several benefits that the management derive from grapevine. It is an effective tool for developing corporate identity, building teamwork and motivating people. It supplements formal communication channels to make the total communication system more effective.

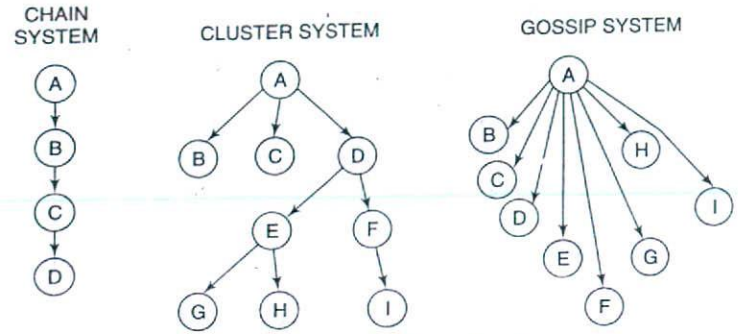


Fig. 18.5 Three Types of Grapevine System

(*Source:* Robert P. Vecchio, *op. cit.*, p. 554)

In a sense, the degree of grapevine activity is a measure of a firm's spirit and vitality. If employees are so disinterested in their work that they do not engage in small talk, they are obviously maladjusted. If they are so indifferent about their associates that they even eschew chatting about who will get promotion, who brought in the big contract, or which young executive is dating whose secretary, then they are patently abnormal. A lively grapevine reflects the deep psychological need of people to talk about their jobs and their company as of their central life interest. Without it the company would literally be sick.

What should not be missed is the most positive contribution the grapevine makes to the organisation's communication system—the speed of spreading information. The speed of grapevines can be attributed to the fact that the messages are oral rather than written. Moreover, people enjoy passing on timely information because it makes them appear to be in touch and well-informed, and there is social value attached to bringing surprising news to others.

The grapevine has been criticised too. It tends to be accurate when the information is non-controversial. With controversial information, the grapevine can be erroneous. It is also said that the speed with which the grapevine spreads information makes it difficult to check rumours.[31]

Rumour As was pointed out previously, 75 per cent of grapevine information is accurate. The remaining 25 per cent which is inaccurate, constitutes rumour. Rumour, therefore, is the unjudicious and false information that is communicated without factual evidence.[32]

Rumour is generally perceived to be dangerous because of its potential to fish in troubled waters. But not always. Rumours serve at least four purposes: to structure and reduce anxiety, to make sense of limited or fragmented information, to serve as a platform to organise group members and possibly outsiders, into coalition, and to signal a sender's status or power that he/she is the only person possessing the information.

Rumour is that part of grapevine which is inaccurate. Though rumour is a potential trouble creater, it still flourishes in organisations when employees find ambiguity and experience anxiety about things and situations that are important to them.

Rumours flourish in organisations as a response to situations that are important to employees where there is *ambiguity*, and under conditions that arouse *anxiety*. Work situations do contain these two elements which explain why rumours exist. The secrecy and competition that typically prevail in large organisations—around such issues as appointment of new bosses, relocation of offices and realignment of work assignments—create conditions that encourage and sustain rumours on the grapevine. A rumour will persist either until the wants and expectations creating the uncertainty underlying the rumour are fulfilled or until the anxiety is reduced. Rumours also arise out of wishful dreams of people as well as out of sheer maliciousness.

Can management eliminate rumours? The answer is 'no'. Management instead must learn to live with them. It should try to minimise the negative consequences of rumours by limiting their range and impact. Some suggestions for the purpose are given below:

1. Announce timetables for making important decisions.
2. Explain decisions and behaviour that may appear inconsistent or secretive.
3. Get at the root of the rumour and confront it with facts.
4. Identify rumour-mongers and discipline them.
5. Take the assistance of the labour union to fight rumours.

INFORMATION TECHNOLOGIES

Information technologies are mainly used as channels of communication. The Internet, World Wide Web (WWW), electronic mail (e-mail), voice mail and telecommuting constitute the state of the art information technologies.

The *Internet* is an integral global network of computers that gives users access to information and documents. Anyone with a personal computer, modem and relevant software can access the Internet and obtain and share information with others via e-mail, which are electronic messages transmitted to and from Internet host computers.

Organisations use the Internet to explain their benefits to newly hired employees.

The World Wide Web (WWW) is part of Internet that supports a retrieval system for a vast amount of information and documents on all topics. Websites or home pages are formatted addresses that provide access to that material.

Electronic mail (e-mail) enables people to exchange information through computers. Until some years ago, if an employee wanted to discuss an idea with his/her boss, the employee had to wait for days to get an appointment with the boss. Today, the same employee can simply send an e-mail to the boss. Quick and easy, this medium of communication has the potential to radically change internal coordination and integrate systems and communication with external suppliers and customers.

Voice mail is a computer-based message system that people access by telephone. Voice mail is the human equivalent of e-mail. Although more expensive than an e-mail system, voice mail is a richer information medium. It is an excellent medium for sending short, simple and non-controversial messages.

Telecommuting is the practice of working at home while being electronically linked to the office. Employees who work at a customer's office or communicate with the office or plant via a laptop computer or mobile phone would be classified as telecommutors. Telecommuting often involves the use of computer-based software, e-mail, voice mail, fax machines and related technologies.

Telecommuting jobs include sales, real estate agency, computer systems analysis, data entry, consulting, attending, security broking and copy editing. Millions of employees have already formed telecommuting arrangements with their employers and their number is growing. Wipro is the only example of a company which has been using telecommuting successfully. However, telecommuting is not for everyone, some telecommuters experience a sense of isolation, stagnation or compulsive overwork.

The potential advantages of telecommuting are fairly obvious. They allow people to communicate with one another more easily, quickly and with less expense. However, some problems need to be guarded against. First, these technologies have not been effective for promoting interpersonal relations or complex team problem-solving where face-to-face dialogue is needed. Second, information technologies can break down the boundaries between work time and non-work time. A medical transcriber who works full-time from her home, for example, finds herself typing a tape but is interrupted by her husband, children and telephone. Third, the Intranet/Internet may erode the delegation of authority by creating too much and too

frequent communication between superiors and subordinates. Fourth, e-mail opens the possibility of wasting time on increased volume of meaningless data with the consequence of unnecessary workload. Finally, for most individuals, e-mail lacks confidentiality. Most e-mail messages can easily be read by others who have computers and access to the same Intranet and Internet.[33] (Also read Chapter 29.)

SUMMARY

Communication is the process of exchanging information and understanding between people. Communication is highly significant because of its role in facilitating managers in discharging their fundamental functions. Its role in making organisations function successfully and in motivating, controlling and changing employee attitudes is also important. The subject of communication can be studied from two angles : interpersonal communication and organisational communication. Interpersonal communication is a seven-part process: **(i)** sender, **(ii)** encoding, **(iii)** messages, **(iv)** channel, **(v)** decoding, **(vi)** receiver and **(vii)** feedback. Each part is significant in making the total communication system effective. Non-verbal, written and oral communication are three types of communication. Several barriers come in the way of effective interpersonal communication. For convenience of study, the barriers have been categorized as sender-related, receiver-related and situation-related. Remedies to overcome the barriers have also been discussed on the same lines.

Three aspects are unique to organisational communication namely, communication flow, communication networks and informal communication. Communication flow refers to the pattern of communication in organisations. Communication flows downward, upward, lateral, diagonal or external. There are five types of communication networks: wheel, chain, all channel, circle and Y. The chapter also touches upon communication policy and communication audit. Alongside formal communication, informal communication also plays an important role in organisations. Informal communication is also called the grapevine which is estimated to be about 75 per cent accurate. The inaccurate part of grapevine information is rumour which is undesirable, but inevitable in organisations. Managers must try to learn to live with rumours. Communication technology includes Internet, www, e-mail and voice mail.

KEY TERMS

Barriers to communication
Communication media
Downward communication
Information technologies
Communication
Communication networks
Grapevine
Interpersonal communication
Knowledge management
Meta communication
Organisational communication
Upward communication
Lateral communication
Non-verbal communication
Rumour

REVIEW QUESTIONS

1. Describe the communication process; identify its key parts. Give an example of how this process operates for both oral and written messages.
2. Ineffective communication is the fault of the sender. Do you agree? Discuss.

3. Describe the advantages and limitations of each of the communication networks: (a) wheel, (b) circle, (c) chain, and (d) all channel.
4. Observe your own behaviour and discuss what non-verbal communication habits you typically use. Do you notice some habits that mislead receivers?
5. What are the barriers that check effective communication? How can these barriers be overcome?
6. Explain why rumours occur in organisations. How do you manage them?
7. What are some of the potential problems with upward and downward communication ? How can managers alleviate these problems ?
8. Some claim that e-mails take so much time reading and replying that they are actually a drain on productivity. Do you agree? Why?

DISCUSSION QUESTIONS

1. Can you became an effective executive without being an effective communicator?
2. What are some of the ways in which men and women communicate differently? Why is it important to recognise the difference?
3. What are some of the organisational barriers to communication? How can managers eliminate or reduce these problems?
4. Have you come across communication networks in your class? If yes, describe.

Closing Case

A Case of Misunderstood Message

Indane Biscuits is located in an industrial area. The biscuit factory employs labour on a daily basis. The management does not follow statutory regulations, and are able to get away with violations by keeping the concerned inspectors in good books.

The factory has a designated room to which employees are periodically called either to hire or to fire.

On the National Safety Day, the Industries Association, of which Indane Biscuits is a member, decided to celebrate collectively at a central place. Each of the members was given a specific task. The Personnel Manager, Indane Biscuits, desired to consult his supervisors and to inform everybody through them about the safety day celebrations. He sent a memo requesting them to be present in the room meant for hiring and firing. As soon as the supervisors read the memo, they all got panicky thinking that now it was their turn to get fired. They started having 'hush-hush' consultations. The workers also learnt about it, and since they had a lot of scores to settle with the management they extended their sympathy and support to the supervisors. As a consequence, everybody struck work and the factory came to a grinding halt.

In the meantime, the personnel manager was unaware of the developments and when he came to know of it he went immediately and tried to convince the supervisors about the purpose of inviting them and the reason why that particular room was chosen. To be fair to the Personnel Manager, he selected the room because no other room was available. But the supervisors and the workers were in no mood to listen.

The Managing Director, who rushed to the factory on hearing about the strike, also couldn't convince the workers.

The matter was referred to the labour department. The enquiry that followed resulted in all irregularities of the factory getting exposed and imposition of heavy penalties. The Personnel Manager was sacked. The factory opened after prolonged negotiations and settlements.

Questions

1. In the case of the Indane Biscuits, bring out the importance of 'context' and 'credibility' in communication.
2. List the direct and indirect causes for the escalation of tension at Indane Biscuits.
3. If you were the Personnel Manager what would you do?[34]

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SECTION 5

List of Chapters

19. Managing Betterment Work
20. A Safe and Healthy Environment
21. Managing Separations and Rightsizing

CHAPTER 19

Managing Betterment Work

LEARNING OBJECTIVES

After reading this chapter you should have a good understanding of:

- The nature of employee welfare and its merits and demerits
- The types of welfare schemes
- The approaches to labour welfare
- The different steps in administration of the welfare schemes

Opening Case

In a small jute factory, there was no rest shed. An open space within the compound was available. In summer, when it was very hot, the workers offered to build thatched rest shed for themselves. Unnecessary delays due to red tape and vacillation came in the way of building the shed . Later, the management felt that they should augment their water resources by digging a well where the shed had been proposed. A well was dug but rocky layers disappointed the management. To date, this well is a yawning protest of the neglect of the principle of timeliness, giving employees an opportunity to ridicule the management. The jute mill employees humorously but contemptuously described this work as the management's "welfare" work.[1]

There is the story of a big Jain employer who firmly held the belief that the provision of welfare facilities for workers was outside the duties of the management. Whatever he did provide was under government compulsion and supervision. Howerver, it so happened that his children died as soon as they were born. Later his own health also suffered. He felt that as a compensation or even as an investment in a good deed (punyam), he should liberally contribute to the crèche in the factory (as well as to other child welfare institutions), and also to medical services for his workers. Consequently, in this particular factory, there came to exist an excellent crèche and a well organised dispensary.[2]

Though the above vignettes date back to the early 20th century, the status in factories, particularly in the unorganised sector, continues to be the same and even worse today. A look at the power looms, beedi and incense sticks rolling units in Bangalore reminds one of pre-Taylor days.

Most welfare activities (described later in this chapter) are considered to be mundane. Obviously, not many authors provide space in their books for a discussion on this topic. But we are of the opinion that what are considered to be temporal benefits elsewhere are being neglected in our country particularly in the unorganised sector. We are also of the opinion that the teachers and students should be enlightened about

the concept of employee welfare and how welfare measures are implemented or neglected. Hence, the present chapter.

After employees have been hired, trained and remunerated, they need to be retained and maintained to serve the organisation better. Welfare facilities are designed to take care of the well-being of the employees—they do not generally result in any monetary benefit to the employees. Nor are these facilities provided by employers alone. Governmental and non-governmental agencies, and trade unions too, contribute towards employee welfare. The welfare facilities together contribute to better work.

NATURE OF WELFARE

Welfare means faring or doing well. It is a comprehensive term, and refers to the physical, mental, moral and emotional well-being of an individual. Further, the term *welfare* is a relative concept, relative in time and space. It, therefore, varies from time to time, from region to region and from country to country.

Labour welfare, also referred to as betterment work for employees, relates to taking care of the well-being of workers by employers, trade unions, and governmental and non-governmental agencies.

ILO at its Asian Regional Conference, defined labour welfare as a term which is *understood to include such services, facilities and amenities as may be established in or in the vicinity of undertakings to enable the persons employed in them to perform their work in healthy, congenial surroundings and to provide them with amenities conducive to good health and high morale.*[3]

Labour welfare has two aspects—negative and positive. On the negative side, labour welfare is concerned with counteracting the baneful effects of the large-scale industrial system of production—especially capitalistic, so far as India is concerned—on the personal/family, and social life of the worker. On its positive side, it deals with the provision of opportunities for the worker and his/her family for a good life as understood in its most comprehensive sense.[4]

MERITS AND DEMERITS OF WELFARE MEASURES

Labour welfare is justified for several reasons. It is desirable to recollect the services of a typical worker in this context. His/her labour helps dig and haul coal from the depths of the earth—to fetch and refine oil, to build dams and reservoirs, to lay pipes, canals, railway lines and roads. His/her labour creates and transmits power, and, through various phases of manufacturing, patterns raw materials into finished products of necessity as well as of luxury.

The industrial worker is indeed a soldier safeguarding the social and economic factors of the industrial economy, and his/her actions and interactions within the industrial framework will have a great impact and influence on industrial development.

The social and economic aspects of the life of a worker have a direct influence on the social and economic development of the nation. There is every need to take extra care of the worker—to provide both statutory and non-statutory facilities to him/her.

Another argument in favour of employee welfare is that the facilities help motivate and retain employees. Most welfare facilities are hygiene factors which, according to Herzberg, create dissatisfaction if not provided. Remove dissatisfaction, place an employee in a favourable mood, provide satisfiers, and then motivation will take place. Welfare facilities, besides removing dissatisfaction, help develop loyalty in workers towards the organisation.

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

A further argument in favour of welfare is that a reputation for showing concern helps improve the local image of the company as a good employer and thus assists in recruitment. Welfare may not directly increase productivity, but it may add to general feelings of satisfaction with the company and cut down labour turnover.[5]

The story about Kolar Gold Fields (KGF) in Karnataka told in Exhibit 19.1 strongly advocates employee welfare.

Exhibit 19.1 ***From Dust to Dust***

For well over a decade, successive governments have been trying to shut down the Bharath Gold Mines Ltd (BGML). Oddly, this has happened in a situation where per worker productivity has risen. Where the veins of gold have not quite run out. Where large seams remain unexplored. Where the workers are perhaps the lowest paid for any public sector unit in the country. Where a single region has produced a precious metal worth Rs 45,000 crore over the years. Where the legislative assembly of Karnataka passed a unanimous resolution appealing to the Centre not to close down the mines, but to try and revive them.

The battles are still on, though the Union Government declared that the loss-making mines would simply cease to exist by the end of May 2001. Many insist the losses were management- and government-inflicted: some say consciously inflicted. At any rate, the losses of Rs 300 crore are far less than that of other units in the country where there has been no talk of closure.

The mines of the KGF have always functioned in a system of high exploitation—earlier under the old British owners in the former Mysore State, subsequently under the Indian state.

"My father worked here for 6 *annas* and 36 *paise* a day", says A. Kasi. A miner who retired as a foreman at the Edgar Shafts in 1989, Kasi says, "almost all the men in my family worked in the mines. My father dug tunnels after coming here in 1927. Our people were from north Arcot in Tamil Nadu. Some earned as little as 25 *paise* a day. Those who worked on the machines got 13 *annas*. They lived in those eight-foot by eight-foot hovels that you have seen. At times 3 to 4 families stayed in one 'house'. It was only in 1948 that the idea of one family to one house was accepted. That was after a strike in 1946 led by Communist leaders of the All India Trade Union Congress (AITUC) like Vasan and Govindam. Six miners died when the British masters resorted to firing in that strike".

The pay was wretched and work conditions worse. Surveys from the 1930s show that 48 out of 50 families studied were deeply in debt. The debt of each family was, on an average, over six times its monthly income.

John Taylor and Sons was the entity that exploited the mines from the 1880s to 1956. The British company needed to see that miners from Tamil Nadu did not 'escape'. The Tamils saw their work here as temporary. Even if they did not always return home, they felt they had a right to do so. However, John Taylor's mines demanded their dirt-cheap labour.

"The older generations had to wear a metal band saying 'John Taylor and Sons' on the left hand," says S.M. Irchappan. A miner who worked here from 1949 till he retired in 1988, he says "it was very tight. It had a mine name and number on it. Anyone trying to 'run away', switching mines or the like, used to be caught and identified by the band. The workers hated the practice but it was forced on them. "In the early days", says Kasi, "we were not given petromax lamps. Not even later when they came in vogue. We had to make do with candles and carbon lights. The company did nothing for us that would cost them a *paisa*."

Not even in the field of education. Both Kasi and Irchappan dropped out when they were in standard four. Even today, decades after freedom, the needs of officers' children are met but not those of the workers. The English-medium schools officers' children went up to the SSLC level. The workers' children stopped at middle school.

"There were whole generations of miners in the old days who never saw the sun", says veteran trade unionist K. Savaridoss of the Central Industrial Trade Union (CITU). "The work day was 12 hours till 1946. Most men were contract workers using candles and hand drills. They went in before dawn and came out after dusk. There was no electricity for much of the mine's existence. Not for the workers, anyway."

Odd, since Kolar was the first part of old Mysore to get electricity. And that was very early, around 1902. "That is true", says Savaridoss, "but the safety was not a priority. Power was taken to the mines, but only for the main places and for hoisting the workers up and down. Not for their personal needs".

Hundreds of miners died in rockbursts in the 1920s and 1930s. Quite a few were buried alive. Many succumbed to diseases and the unsafe conditions. Mine floods and other accidents claimed still more lives.

"Till April 1972, an unskilled worker got Rs 1.25 to 1.50 a day," says CITU's Savaridoss. "This was up from 25 *paise* in the 1930s and 50 *paise* in the 1940s."

M.C. Adiseshan laboured 40 years as a miner in the KGF. "And my period was entirely in the post-Independence period", he points out. He worked from 1955 to 1995. "I earned a *coolie* rate of Rs 1.25 a day when I began. Annual increments" he laughs "were five *paise*" (for the lowest category of workers, increments were just Rs 10 a year till the 1980s). In 1995, he was 2,600 feet below when a rockburst struck. "It was in the Nandydroog mine. Some 60 tons of ore collapsed on us."

Adiseshan lived but was seriously debilitated. He still cannot move his neck properly. He has not received a single *paisa* in compensation. And like many here, gets no pension.

What about medical treatment for the injury? He laughs, "It was free but meaningless. There is nothing worthwhile in our hospital here."

In his 40th working year, he had a basic pay of Rs 1,350 taking home less than Rs 4,000. "Those workers covered by pension agreements—those joining after 1982—will get around Rs 300 a month", he says. "If they and the mine last 30 years, they could get Rs 500 a month as pension at best." Most will get nothing.

In the mines, the pay slips speak. Many show around 25 years of work and a basic pay of Rs 1,340. "After 30 years", says Edison, a general foreman officer at the Golconda mine, "you could make Rs 4,250 and lose Rs 1,720 of that in deductions. This makes it the only PSU where you can work 40 years and take home less than Rs 4,000 each month."

These are the people who produced Rs 45,000 crore worth of gold for others. There has been no wage revision at all here for over 10 years—in a decade when prices shot up as never before.

Source: *The Hindu*, Dec. 13, 2000.

Arguments against labour welfare are obvious. Welfare implies 'do-gooding'. The personnel management fraternity have spent many years trying to shake off their association with what they, and others, like to think of as, at best peripheral and redundant welfare activities. Welfare is provided for by the state services. Why should industrial, commercial or public sector organisations duplicate what is already there? The private affairs of employees and their off-the-job interests should not be the concern of their employers. It is selfish to maintain large playing fields and erect huge sports pavilions if they are going to be used by a minute proportion of staff for a very limited period of time—the space and facilities could be better used by the community. The argument that the provision of welfare services increases the loyalty and motivation of employees has long been exploded. If welfare services are used at all, they are taken for granted.[6] Gratitude is not a prime motivating factor. In fact, gratitude is a thing of the past—remembered for a short time and forgotten soon after.

TYPES OF WELFARE ACTIVITIES

The meaning of labour welfare may be made more clear by listing the activities and facilities which are referred to as welfare measures:

A comprehensive list of welfare activities is given by Moorthy in his monumental work on labour welfare. He divides welfare measures into two broad groups, namely:[7]

1. Welfare measures inside the work place; and
2. Welfare measures outside the work place.

Each group includes several activities.

Pause and Ponder

Select 3 firms from public sector and 3 from private sector. Talk to their HR managers and ascertain the welfare facilities they respectively provide in their companies.

I. Welfare Measures Inside the Work Place

(i) Conditions of the Work Environment

(a) Neighbourhood safety and cleanliness; attention to approaches.
(b) Housekeeping; upkeeping of premises—compound wall, lawns, gardens, and so forth, egress and ingress, passages and doors; white-washing of walls and floor maintenance.
(c) Workshop (room) sanitation and cleanliness; temperature, humidity, ventilation, lighting, elimination of dust, smoke, fumes, gases.
(d) Control of effluents.
(e) Convenience and comfort during work, that is, operatives' posture, seating arrangements.
(f) Distribution of work hours and provision for rest hours, meal times and breaks.
(g) Workmen's safety measures, that is, maintenance of machines and tools, fencing of machines, providing guards, helmets, aprons, goggles, and first-aid equipment.
(h) Supply of necessary beverages, and pills and tablets, that is, salt tablets, milk, soda.
(i) Notice boards; posters, pictures, slogans; information or communication.

(ii) Conveniences

(a) Rest rooms, wash basins, bathrooms, provision for spittoons; waste disposal.
(b) Provision of drinking water; water coolers.
(c) Canteen services: full meal, mobile canteen.
(d) Management of workers' cloak rooms, rest rooms, reading room and library.

(iii) Workers' Health Services Factory health centre; dispensary, ambulance, emergency aid, medical examination for workers; health education, health research; family planning services.

(iv) Women and Child Welfare Antenatal and postnatal care, maternity aid, crèche and child care; women's general education; separate services for women workers, that is, lunch rooms, toilets, rest rooms, women's recreation (indoor); family planning services.

(v) Workers' Recreation Indoor games; strenuous games to be avoided during intervals of work.

(vi) Employment Follow-up Progress of the operative in his/her work; his/her adjustment problems with regard to machines and workload, supervisors and colleagues; industrial counselling.

(vii) Economic Services Co-operatives, loans, financial grants; thrift and saving schemes; budget knowledge, unemployment insurance, health insurance, employment bureau, profit-sharing and bonus schemes; transport services; provident fund, gratuity and pension; rewards and incentives; workmen's compensation for injury; family assistance in times of need.

(viii) Labour-Management Participation

(a) Formation and working of various committees, that is, works committee, safety committee, canteen committee; consultation in welfare area, in production area, in the area of administration, in the area of public relations.
(b) Workmen's arbitration council.
(c) Research bureau.

(ix) Workers' Education Reading room, library, circulating library; visual education; literary classes, adult education, social education; daily news review; factory news bulletin; cooperation with workers in education services.

II. Welfare Measures Outside the Work Place

(i) Housing: bachelors' quarters; family residences according to types and rooms.
(ii) Water, sanitation, waste disposal.
(iii) Roads, lighting, parks, recreation, playgrounds.
(iv) Schools: nursery, primary, secondary and high school.
(v) Markets, co-operatives, consumer and credit societies.
(vi) Bank.
(vii) Transport.
(viii) Communication: post, telegraph and telephone.
(ix) Health and medical services: dispensary, emergency ward, out-patient and in-patient care, family visiting; family planning.
(x) Recreation: games; clubs; craft centres; cultural programmes, that is, music clubs; interest and hobby circles; festival celebrations; study circles; reading room and library; open air theatre; swimming pool; athletics, gymnasia.
(xi) Watch and ward; security.
(xii) Community leadership development: council of elders; committee of representatives; administration of community services and problems; child, youth and women's clubs.

Welfare facilities may also be categorised as **(a)** intra-mural and **(b)** extra-mural.

Intra-mural Facilities

Intra-mural activities consist of facilities provided within the factories and include medical facilities, compensation for accidents, provision of crèches and canteens, supply of drinking water, washing and bathing facilities, provision of safety measures, activities relating to improving conditions of employment, and the like.

Extra-mural Facilities

Extra-mural activities cover the services and facilities provided outside the factory such as housing accommodation, indoor and outdoor recreational facilities, amusement and sports, educational facilities for adults and children, and the like.

It may be stated that the welfare activities may be provided by the employer, the government, non-government organisations and the trade unions. While, what employers provide will be stated later, the activities undertaken by other agencies are mentioned here.

Welfare Facilities by the Government

With a view to making it mandatory for employers, to provide certain welfare facilities for their employees, the Government of India has enacted several laws from time to time. These laws are the Factories Act, 1948; the Mines Act, 1952; the Plantation Labour Act, 1951; the Bidi and Cigar Workers (Conditions of Employment) Act, 1966; and the Contract Labour (Regulation and Abolition) Act, 1970. Another significant step taken by the central government has been to constitute welfare funds for the benefit of the employees. These funds have been established in coal, mica, iron-ore, limestone, and dolomite mines. The

welfare activities covered by these funds include housing, medical, educational and recreational facilities for employees and their dependents.

Welfare Activities by the Trade Unions

Labour unions have contributed their share for the betterment of the employees. Mention may be made here of the Textile Labour Association of Ahmedabad and the Railwaymen's Union and the Mazdoor Sabha of Kanpur, which have rendered invaluable services in the field of labour welfare. The welfare activities of the Textile Labour Association, Ahmedabad, are worth noting. The Association runs:

1. Twenty-five cultural and social centres.
2. Schools for workers' children, reading rooms, libraries, gymnasia.
3. Dispensaries and maternity homes.
4. A co-operative bank, with which a number of housing societies, consumers' societies and credit societies are affiliated.
5. Office offering legal help to members.
6. Training programmes in the principles and practices of trade unionism.
7. A bi-weekly, the *Mazdoor Sandesh.*

Welfare Work by Voluntary Agencies

Many voluntary social-service agencies have been doing useful labour-welfare work. Mention may be made of the Bombay Social Service League, the Seva Sadan Society, the Maternity and Infant Welfare Association, the YMCA, the Depressed Classes Mission Society and the Women's Institute of Bengal. The welfare activities of these organisations cover night schools, libraries and lectures, promotion of public health, and organisation of recreation and sports for the working class.

Statutory and Non-statutory

Welfare activities may also be classified into **(i)** statutory and **(ii)** non-statutory provisions.

(i) Statutory Provisions

These are mandated by the Factories Act, 1948; The Mines Act, 1952; The Plantation Labour Act, 1951, and some other Acts. (Read Exhibit 19.2 for detailed statutory welfare measures). Of all these, the Factories Act is more significant and hence is covered in detail here.

The Factories Act The Act was first conceived in 1881 when a legislation was enacted to protect children and to provide health and safety measures. Later, hours of work were sought to be regulated and were, therefore, incorporated in the Act in 191 1. The Act was amended and enlarged in 1934 following the recommendations of the Royal Commission of Labour. A more comprehensive legislation to regulate working conditions replaced the Act in 1948.

Exhibit 19.2 ***The Factories Act, 1948***

The welfare amenities provided under the Act are given below:

(a) Washing facilities (S.42)
(b) Facilities for storing and dry clothing (S.43)
(c) Sitting facilities for occasional rest for workers who are obliged to work standing (S.44)
(d) First-aid boxes or cupboards—one for every 150 workers and ambulance facilities, if there are more than 500 workers (S.45)

(e) Canteens if employing more than 250 workers (S.46)
(f) Shelters, rest rooms and lunch rooms, if employing over 150 workers (S.47)
(g) Crèche, if employing more than 30 women (S.48)
(h) Welfare officer, if employing 500 or more workers (S.49)

THE MINES ACT, 1952 AND THE MINES RULES

The main obligations of the mine owners regarding health and welfare of their workers are as follows:
(a) Maintenance of crèches where 50 women workers are employed
(b) Provision of shelters for taking food and rest if 150 or more persons are employed
(c) Provision of a canteen in mines employing 250 or more workers
(d) Maintenance of first-aid boxes, and first-aid rooms in mines employing more than 150 workers
(e) Provision in coal mines of (i) pit head baths equipped with shower baths; (ii) sanitary latrines and (iii) lockers, separately for men and women workers
(f) Appointment of a Welfare Officer in mines employing more than 500 or more persons to look after the matters relating to the welfare of the workers

THE PLANTATIONS LABOUR ACT, 1951

The following welfare measures are to be provided to the plantation workers:
(a) Canteens in plantations employing 150 or more workers (S. 11)
(b) Crèches in plantations employing 50 or more women workers (S. 12)
(c) Recreational facilities for the workers and their children (S. 13)
(d) Educational facilities in the estate for the children of workers, where there are 25 workers' children between the age of 6 and 12 (S. 14)
(e) Housing facilities for every worker and his/her family residing in the plantation. The standard and specification of the accommodation, procedure for allotment and rent chargeable from workers, are to be prescribed in the Rules by the state governments (S. 15 and 16)
(f) The state government may make rules requiring every plantation employer to provide the workers with such number and type of umbrellas, blankets, raincoats or other like amenities for the protection of workers from rain or cold as may be prescribed (S. 17)
(g) Appointment of a Welfare officer in plantations employing 300 or more workers (S. 18)

The exact standards of these facilities have been prescribed under the Rules framed by the state governments.

THE MOTOR TRANSPORT WORKERS ACT, 1961

The Motor Transport Undertakings are required to provide certain welfare and health measures given as follows:
(a) Canteens of prescribed standard, if employing 100 or more workers (S. 8)
(b) Clean, ventilated, well-lighted and comfortable restrooms at every place wherein motor transport workers are required to halt at night (S. 9)
(c) Uniforms, raincoats to drivers, conductors and line checking staff for protection against rain and cold. A prescribed amount of washing allowance is to be given to the above-mentioned categories of staff (S. 10)
(d) Medical facilities are to be provided to the motor transport workers at the operating centres and at the stations as may be prescribed by the state government (S. 11)
(e) First-aid facilities equipped with the prescribed contents are to be provided in every transport vehicle (S. 12)

THE CONTRACT LABOUR (REGULATION AND ABOLITION) ACT, 1970

The following welfare and health measures are to be provided to the contract workers by the contractor:
(i) A canteen in every establishment employing 100 or more workers (S.16)
(ii) Rest rooms or other suitable alternative accommodation where the contract labour is required to halt at night in connection with the work of an establishment (S. 17)

(iii) Provision for a sufficient supply of wholesome drinking water, sufficient number of latrines and toilets of prescribed types and washing facilities (S.18)
(iv) Provision for first-aid boxes equipped with the prescribed contents (S.19)

The Act imposes liability on the principal employer to provide the above amenities to the contract labour employed in his other establishment, if the contractor fails to do so.

THE MERCHANT SHIPPING ACT, 1958

Provisions in the Act relating to health and welfare cover:

(i) Crew accommodation
(ii) Supply of sufficient drinking water
(iii) Supply of medicines, medical stores, and provision of surgical and medical advice
(iv) Maintenance of proper weights and measures on board, and grant of relief to distressed seamen aboard a ship.
(v) Every foreign-going ship carrying more than the prescribed number of persons, including the crew, is required to have on board, as part of her complement, a qualified medical officer
(vi) Appointment of a Seamen's Welfare Officer at such ports in or outside India as the government may consider necessary
(vii) Establishment of hostels, clubs, canteens, and libraries
(viii) Provision of medical treatment and hospital
(ix) Provision of educational facilities

The governments have been authorized to frame rules, *inter alia*, for the levy of fees. Payable by owners of ships at prescribed rates for the purpose of providing amenities to seamen and for taking other measures for their welfare.

DOCK WORKERS (SAFETY, HEALTH AND WELFARE) SCHEME, 1961

A comprehensive Dock Workers (Safety, Health and Welfare) Scheme, 1961 has been framed for all major ports and is administered by the Chief Advisor, Factories (Factory Advice Service and Labour Institutes). It is framed under the Dock Workers (Regulation of Employment) Act, 1948. Amenities provided in the port premises include provision of (i) toilets; (ii) drinking water; (iii) washing facilities; (iv) bathing facilities; (v) canteens; (vi) rest shelters; (vii) call stands; (viii) first-aid arrangements.

Other welfare measures provided are (i) housing; (ii) schools; (iii) educational facilities; (iv) grant of scholarships; (v) libraries; (vi) sports and recreation; (vii) fair price shops; and (viii) co-operative societies. Cost of amenities, welfare and health measures and recreation facilities for registered workers shall be met from a separate fund called the Dock Workers Welfare Fund Which shall be maintained by the Board. Contributions to this Fund shall be made by all registered employers at such a rate as may be determined by the Board. The Board shall frame rules for contributions for the maintenance and operation of the Fund. Different ports have been fixed.

INTER-STATE MIGRANT WORKMEN (REGULATION OF EMPLOYMENT AND CONDITIONS OF SERVICE) ACT, 1979

Section 16 of the Act stipulates that every contractor employing inter-state migrant workmen in connection with the work of an establishment to which this Act applies will have to provide the following facilities:

(a) To ensure regular payment of wages to such workmen (at least minimum wages have to be paid as fixed under the Minimum Wages Act, 1948)
(b) To ensure equal pay for equal work irrespective of sex
(c) To ensure suitable conditions of work to such workmen having regard to the fact that they are required to work in a state different from their own state
(d) To provide and maintain suitable residential accommodation to such workers working during the period of their employment
(e) To provide the prescribed medical facilities to the workmen, free of charges
(f) To provide such protective clothing to the workmen as may be prescribed
(g) In case of fatal accident or serious bodily injury to any such workman, to report to the specified authorities of both the states and also the next of kin of the workman.

With regard to labour welfare, the Act contains provisions for:
1. Appointment of a labour welfare officer; and
2. Welfare of workers.

Labour Welfare Officer Schedule 49 of the Act provides that in every factory wherein 500 or more workers are ordinarily employed, the employer shall appoint at least one welfare officer. The officer is expected to act as an advisor, counsellor, mediator and liaisoning officer between the management and the labour. Specifically, his/her duties include the following:

1. Supervision of (i) safety, health and welfare programmes like housing, recreation, and sanitation services, (ii) working of joint committees; (iii) grant of leave with wages; and (iv) redressal of workers' grievances.
2. Counselling workers in (i) personal and family problems; (ii) adjustment to their work environment; and (iii) understanding their rights and privileges.
3. Advising management in matters of (i) formulating welfare policies; (ii) apprenticeship training programmes; (iii) complying with statutory obligations to workers; (iv) developing fringe benefits; and (v) workers' education.
4. Liaisoning with workers so that they may (i) appreciate the need for harmonious industrial relations in the plant; (ii) resolve disputes, if any; (iii) understand the limitations under which they operate; and (iv) interpret company policies correctly.
5. Liaisoning with the management so as to appraise the latter about workers' viewpoints on organisational matters.

Welfare Provisions Chapter V of the Act provides for welfare facilities. Specifically, the Act provides for adequately screened washing facilities for the use of male and female workers; for drying of wet clothes, resting places, first-aid boxes or cupboards (at the rate of one for every 150 workers is more than 150; and crèche facilities for the use of children if their number exceeds 30.)

The Act also stipulates that no adult worker should be allowed to work for more them 48 hours a week. Daily working hours should not exceed nine and the total number of hours spent in a factory are not to be more than 10 1/2 hours per day inclusive of rest pauses. Rest interval of half an hour should be provided between five hours of work. Weekly, one day should be declared as a holiday. Workers who put in more than nine hours a day or 48 hours a week should be paid overtime wages and allowances. Shifts should be arranged in such a way that they do not overlap. No worker should be employed twice on any day.

Women workers are not to be employed during night or between 7 p.m. and 6 a.m. (though exceptions can be made). No child below 14 years of age is to be employed in any factory.

Welfare Funds In order to provide welfare facilities to the workers employed in mica, iron-ore, manganese ore, chrome ore and *beedi* rolling, welfare funds have been established to supplement the efforts of employers and state governments under respective enactments. The funds have been credited by levy of less on production, consumption or export of minerals, and in the case of *beedi* rolling, on the number of sticks rolled. The funds are used to provide medical facilities, housing, drinking water, schooling, recreation, and so forth.

(ii) Non-statutory Benefits

Non-statutory benefits, also called voluntary benefits, include loans for house building, education of children, leave travel concession, fair price shops, loans for purchasing personal conveyance and a host of other facilities.

APPROACHES TO LABOUR WELFARE

Approaches to employee welfare refer to the beliefs and attitudes held by agencies which provide welfare facilities. Some agencies provide welfare facilities inspired by religious faith, others as a philanthropic duty and the like.

The various approaches to labour welfare reflect the attitudes and beliefs of the agencies which are engaged in welfare activities. Welfare facilities may be provided on religious, philanthropic or some other grounds. Moreover, the different approaches to labour welfare reflect the evolution of the concept of welfare. In bygone days, the government of the land had to compel the owner of an industrial establishment to provide such basic amenities as canteens, rest rooms, drinking water, good working conditions, and so forth, for their employees. Such compulsion was necessary because the employer believed in exploiting labour and treating it in an unfair manner. But times have changed, and the concept of welfare, too, has undergone changes. Many progressive managements today provide welfare facilities, voluntarily and with enlightened willingness and enthusiasm. In fact, welfare facilities are not restricted to the workers alone. They have now been extended to the society in general. In other words, labour welfare has been extended to include social welfare. Tata Steel Works at Jamshedpur, for example, spends Rs 10 crore each year on social welfare. Brooke Bond have set up a free animal welfare clinic at Gevrai, Aurangabad, under the direct charge of a qualified veterinary doctor. Jindal Aluminium, Bangalore, maintains the famous Naturopathy and Yogic Sciences Centre and a public school for the benefit of the public. The Jindal Scholarship Trust has been set up, under which deserving students are given scholarships. The Hindustan Machine Tools has a big playground and a community hall, which are let out for competitions and functions.

A study of the approaches to labour welfare is desirable for the management, the workers and the general reader. For the general reader, a study of approaches is essential because his/her knowledge of the subject is incomplete without a knowledge of these approaches, and a knowledge of approaches enables the manager and the worker to have a better perspective on welfare work.

The approaches and their brief descriptions are (*see* Fig. 19.1):

1. The policing theory of labour welfare.
2. The religion theory of labour welfare.
3. The philanthropic theory of labour welfare.
4. The paternalistic theory of labour welfare.
5. The placating theory of labour welfare.

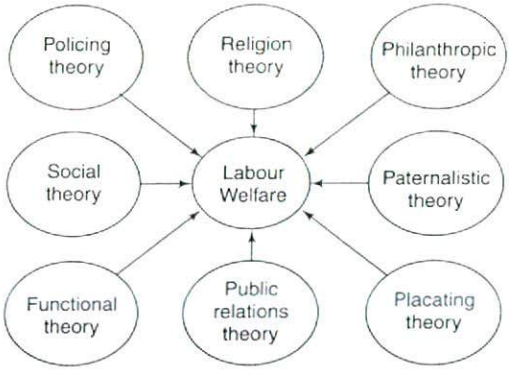


Fig. 19.1 Approaches to Labour Welfare

6. The public relations theory of labour welfare.
7. The functional theory of labour welfare.
8. The social theory of labour welfare.

Policing Theory

According to this view, the factory and other industrial workplaces provide ample opportunities for owners and managers of capital to exploit workers in an unfair manner. This could be done by making the labour work for long hours, by paying workers low wages, by keeping the workplaces in an unhygienic condition, by neglecting safety and health provisions, and by ignoring the provision of elementary human amenities, such as drinking water, latrines, rest rooms and canteens. Clearly, a welfare state cannot remain a passive spectator of this limitless exploitation. It enacts legislation under which managements are compelled to provide basic amenities to the workers. In short, the state assumes the role of a policeman, and compels the managers of industrial establishments to provide welfare facilities, and punishes the non-complier. This is the policing theory of labour welfare.[8]

Religion Theory

The religion theory has two connotations, namely, the investment and atonement aspects. The investment aspect of the religion theory implies that the fruits of today's deeds will be reaped tomorrow. Any action, good or bad, is therefore treated as an investment. Inspired by this belief, some employers plan and organise canteens and crèches. The atonement aspect of the religion theory implies that the present disabilities of a person are the result of the sins committed by him/her previously. He/she should undertake to do good deeds now to atone or compensate for his/her sins. There is the story of a big Jain employer who firmly held the belief that the provision of welfare facilities for workers was outside the duties of the management. Whatever he did provide was under government compulsion and supervision. It so happened, however, that the children born to him died as soon as they were born. Later, his own health suffered. He felt that, as a compensation, or expiration or even as an investment in a good deed (*punyam*), he should liberally contribute to the crèche in the factory (as well as to other child-welfare institutions), and also to medical services for his workers. Consequently, in this particular factory, there came to exist an excellent crèche and a well-organised dispensary.[9]

Philanthropic Theory

Philanthropy means affection for mankind. The philanthropic theory of labour welfare refers to the provision of good working conditions, crèches and canteens out of pity on the part of the employers who want to remove the disabilities of the workers. Robert Owen of England was a philanthropic employer, who worked for the welfare of his workers. The philanthropic theory is more common in social welfare. Student hostels, drinking water facilities, the rehabilitation of crippled persons, donations to religious and educational institutions, and so forth are examples of philanthropic deeds.

Paternalistic Theory

According to the paternalistic theory, also called the trusteeship theory, of labour welfare, the industrialist or the employer holds the total industrial estate, properties and the profits accruing from them, in trust. The property which he/she can use or abuse as he/she likes is not entirely his/her own. He/she holds it for his/her use, no doubt, but also for the benefit of his/her workers, if not for the whole society. For several reasons, such as low wages, lack of education, and so forth the workers are at present unable to take care of

themselves. They are, therefore, like minors, and the employers should provide for their well-being out of funds in their control. The trusteeship is not actual and legal, but it is moral and, therefore, not less real.

Placating Theory

This theory is based on the assumption that appeasement pays when the workers are organised and are militant. Peace can be bought by welfare measures. Workers are like children who are intelligent, but not fully so. As crying children are pacified by sweets, workers should be pleased by welfare works.

Public Relations Theory

According to this theory, welfare activities are provided to create a good impression on the minds of the workers and the public, particularly the latter. Clean and safe working conditions, a good canteen, crèche and other amenities, make a good impression on the workers, visitors and the public. Some employers proudly take their visitors round the plant to show how well they have organised their welfare activities.

Functional Theory

Also known as the efficiency theory of labour welfare, the functional theory implies that welfare facilities are provided to make the workers more efficient. If workers are fed properly, clothed adequately and treated kindly, and if the conditions of their work are congenial, they will work efficiently. Welfare work is a means of securing, preserving and increasing the efficiency of labour.[10]

Social Theory

The social obligation of an industrial establishment has been assuming great significance these days. The social theory implies that a factory is morally bound to improve the conditions of the society in addition to improving the condition of its employees. Labour welfare, as mentioned earlier, is gradually becoming social welfare.

ADMINISTRATION OF WELFARE FACILITIES

Administration of welfare involves decisions on **(i)** welfare policy, **(ii)** organisation of welfare, and **(iii)** assessment of effectiveness. Figure 19.2 outlines the steps in employee welfare.

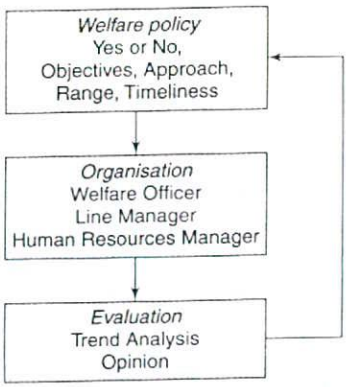


Fig. 19.2 Administration of Welfare Facilities

Welfare Policy

The first step in welfare administration is to have a clearly defined policy towards it. The policy must cover willingness of the management, objectives sought to be achieved, range of facilities to be provided, and the timing of the facilities.

The question of *unwillingness* has only academic interest because, every employer is compelled to provide welfare either by a statute, or a precedence already established by rivals, or out of genuine interest towards employee welfare.

Objective of welfare must be to enhance efficiency of employees and not merely to comply with the provisions of the Factories Act, 1948; the Mines Act, 1952; the Plantations Labour Act, 1951; the Motor Transport Workers Act, 1961; the Contract Labour (Regulation and Abolition) Act, 1970; and the Merchant Shipping Act, 1958.

Which of the eight *approaches* (discussed earlier) must guide the welfare programme? Surely, the approaches are guided by the objectives of welfare activities. Since the main objective is to enhance efficiency of employees, the functional theory of labour welfare must be the management's approach to employee welfare. However, the social theory should not be forgotten.

The *range* of welfare has two dimensions-type of facilities and coverage of employees. With regard to coverage, it may be stated that the facilities must be extended to employees at all levels in the organisation.

Coming to the type of facilities, there are, as was stated earlier, two broad categories: (i) facilities inside the workplace, and (ii) facilities outside the workplace. Some of these are to be provided compulsorily and others out of genuine concern for employee welfare. It is necessary that the employees must go beyond the statutory requirement and offer facilities that would contribute to employee loyalty, motivation and efficiency.

Happily, organisations have realised the importance of welfare. They are discovering innovative schemes and extending benefits to the employees.

Indian Telephone Industries (ITI), Bangalore, has a comprehensive welfare manual running into 68 pages of printed lines. The facilities provided to the employees in all the units of ITI are, divided into two broad categories as shown in Exhibit 19.3.

Morarjee Mills, Mumbai, has a tradition of employee welfare. The company was the first to start a mill hand's co-operative society way back in 1965 itself. As early as 1876, the mill was running a school for the children of mill hands. The housing needs of every employee in Reliance, Hazira, are, taken care of by, the management. Now, the company is going a step further. Four kilometres from the 700-acre petrochemicals complex, Reliance is setting up a township project which will comprise 2000 houses. Estimated to cost around Rs 35 crore, the township will include—a school, playgrounds, shopping, recreational facilities, clubs, and the like. L&T, Bangalore, has a unique scheme. The first Monday of every month is called the *Family Day*. The employees' families are invited to visit the plant and have lunch in the canteen. Company transport is used to bring the families to the plant and to take them back to their respective homes.

Welfare activities must be provided when there is a need for them and when the *time* is opportune.

Organisation for Welfare

In most organisations, welfare is the responsibility of *welfare officers*. The Factories Act, 1948 mandates that every industrial establishment must appoint a welfare officer if the number of employees is 500 or more. (The number increases depending upon the number of employees.) Welfare officers are educated and trained in the field and are, therefore, in a better position to manage welfare well. But the problem with these officers is that they are more concerned with compliance of statutory provisions than with the genuine well-being of workers. Legal provisions invariably stipulate that certain minimum facilities should be

provided to employees in industrial establishments. The minimum facilities are inadequate to protect the welfare of workers. Welfare officers, too, often fail to enforce compliance of even the minimum requirements.

Exhibit 19.3 ***Welfare Facilities at ITI, Bangalore***

(A) CARE
- (i) Medical Facilities
  1. Medical facilities for employees covered under ESI scheme.
  2. Medical facilities for personnel at Bangalore under AMA scheme.
  3. Employees free treatment—(EFT scheme)—Bangalore.
  4. Medical reimbursement at out station/reference to outside hospital.
  5. Ayurvedic/Unani/Homeopathic system of medicines.
  6. Medical facilities to ROS personnel and their families not covered under ESI scheme.
  7. Medical facilities for personnel at Palakkad unit.
  8. Medical facilities for personnel at Naini unit.
  9. Medical facilities for personnel at RB unit.
  10. Medical facilities for personnel at Mankapur unit.
- (ii) Township administration
- (iii) Welfare funds
- (iv) Educational scheme
- (v) Welfare association and clubs
- (vi) Other welfare measures
  1. Non-officers, canteen
  2. Officers, canteen
  3. Transport
  4. Crèches
  5. Uniforms
  6. Compulsory medical examination
  7. Issue of stainless-steel tumbler to employees (Bangalore)
  8. Family-welfare planning
  9. Provision of vitaminised milk to employees engaged in hazardous operations
  10. Safety

(B) TERMINAL BENEFITS
- (vii) Employees' Provident Fund
- (viii) Gratuity scheme
- (ix) Group insurance scheme
- (x) Death and superannuation relief

It is argued that the prime responsibility for welfare should rest with line *managers* as they are in a vantage position to understand the problems of employees. Even this arrangement may not be desirable because employees are reluctant to share their personal problems with bosses, in case the latter gets prejudiced against their (former) interests. In which case line managers are no better than welfare officers.

The obvious alternative is the *HR manager* who knows how help can be provided and is capable of exercising counselling skills. But the HR manager is required to attend to other personnel activities as well. Welfare is one area which demands undivided attention. Consequently, an ideal organisational arrangement is to have a welfare officer to implement welfare activities. Policy decisions and directions shall be provided by the HR manager.

Assessment of Effectiveness

Effectiveness of welfare must be assessed periodically. Feedback, thus obtained, must act as the basis for initiating remedial actions where desired results have not been obtained.

Assessment of the effectiveness of welfare is rather difficult because well-being of employees is abstract and is not possible to quantify. However, two methods of assessment may be mentioned in this context. They are—**(i)** trend analysis, and **(ii)** opinion survey.

Trend Analysis As was stated earlier, welfare is sought to be justified because of its impact on efficiency, turnover, and social evils. HR experts must assess the impact of each of these, before and after a particular welfare activity is being introduced. If post-implementation shows a substantial improvement, the welfare is worth continuing. The scheme deserves to be discontinued if there is no improvement or if there is a fall in any of the areas.

Opinion Survey The most effective assessment technique is to conduct a survey and elicit opinion of employees on the welfare schemes. Employees may be requested to express their views on the usefulness or futility of a particular welfare scheme. Views thus obtained will help continue or discontinue the activity.

SUMMARY

Labour welfare refers to taking care of the well-being of workers by employers, trade unions, and governmental and non-governmental agencies. Recognising the unique place of the worker in the society and doing good for him/her retaining and motivating employees, minimising social evils, and building up the local reputation of the company are the arguments in favour of employee welfare.

Arguments against welfare are that the provision of welfare is the responsibility of the state and welfare is often taken for granted and, hence, fails to motivate employees.

Welfare facilities may be confined to the workplace or may be provided outside the workplace. Similarly, they may be intra-mural or extra-mural.

Several approaches to the study of welfare are available. They range from the policing theory to the social theory.

Administrations of welfare involves three steps:

1. Defining a welfare policy,
2. Organisation for welfare, and
3. Assessment of the effectiveness of welfare.

KEY TERMS

Employee welfare
Extra-mural
Intra-mural
Non-statutory provisions
Statutory provisions
Trend analysis
Welfare policy
Welfare officer

REVIEW QUESTIONS

1. Define the term 'labour welfare'. Bring out the arguments for and against welfare.
2. Bring out the various types of welfare.

3. How is welfare administered in a typical organisation?
4. Describe how the effectiveness of welfare is assessed.
5. Bring out the various approaches to the study of welfare.

DISCUSSION QUESTIONS

1. What types of facilities do you expect from your college/university?
2. Establish a correlation between welfare and productivity.

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5. Michael Armstrong, *A Handbook of Personnel Management Practice*, Third Edition, Kogan, London, 1988, p. 299.
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8. *Ibid.*, p. 29.
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10. *Ibid.*, p. 39.

CHAPTER 20

A Safe and Healthy Environment

LEARNING OBJECTIVES

After reading this chapter you should have a good understanding of:

- The nature of safety, the types of accident, and significance of safety
- A safety programme and the different elements that should make the programme
- The dangers to employee health and several options of fighting the enemies

Opening Vignettes

(A) Prize for 2 Survivors of Bhopal Gas Tragedy

Twenty years after a gas leak from a Union Carbide plant, which spewed methyl isocynate into the atmosphere and killed 20,000 people in Bhopal, two survivors have won an environmental prize for fighting to hold the company and its parent, Dow Chemical Co., accountable for its actions.

Rashida Bee and Champa Devi Shukla were named winners of the Goldman Environmental Prize, which recognises grassroot environmental activists. The two women shared a $125,000 (about Rs 50 lakhs) award. They said they would use it to establish an award in India to recognize individuals who fight corporate crime.

Bee and Shukla, who lived within miles of the Union Carbide plant in Bhopal, were recognised for organising a global hunger strike to help sustain international awareness of the lingering effects of the disaster, and for fighting to get Dow to pay for the medical care of the survivors and their children as well as the environmental clean up.

Union Carbide became a wholly owned subsidiary of Dow Chemical in 1999, 15 years after the gas leak. "The whole world wept, but then people forgot about Bhopal," Bee said.

Both of them suffer multiple health problems including headaches, shortness of breath, burning sensation, insomnia and bone pain.

Bee recalled the winter night 20 years ago when she woke to the sound of her nephew coughing and was surrounded by a toxic cloud. "All of us started coughing," she said. "It was as though our lungs were on fire. We started running and I had to pry my eyes open to see. I saw mothers running, leaving their children behind, people coughing up blood and excrement running down their legs".

Bee and Shukla said the community continues to see elevated rates of cancer and anaemia. Women show high concentrations of toxins in their breast milk. "You can imagine the health of people who begin life with poisoned milk," said Bee.

The two women said their efforts helped persuade the Indian Government to pursue criminal charges against the former Union Carbide Chairman, Warren Anderson, who now leads a life in retirement in New York State.[1]

(B) Dark Day

November 19, 1997 should go down in the history of corporate India as a dark day. On this fateful day, a 31-year-old executive jumped to death from the seventh floor of a high rise building in Mumbai. His body was shattered to pieces, leaving his wife wrecked, daughter orphaned and parents, for whom the deceased was the only child, shocked with disbelief. Work-related stress consumed one more brilliant young man.

Sridhar Reddy, an M.Tech and an MBA (XLRI), was a topper all through and a successful executive in a prestigious group of companies. He was heading the Western region and for the company his region was most crucial, with more than 50 per cent of the total revenue and profit being contributed by him and his team.

From 1994, sales started dipping and the slide continued during the next three years. Reddy could not be blamed for the fall in sales. Though he struggled hard, cheap imports hit the market and caused the downward slide.

However, Srivastav, the MD, thought otherwise. For him, Reddy was the man to be blamed and repeatedly an accusing finger was pointed at the young man in every meeting. "You fellow, you allowed this to happen", "Prestige and survival of the company are at stake", "You did all this" were the usual blurbs in every encounter. All India Marketing Manager Xavier's intervention did not help. In fact, Xavier was accused of siding with Reddy.

Reddy took Srivastav's words personally. He lost his peace of mind, sleep, balance and confidence. Day by day Reddy started sinking and became a psychic case. He even visited a psychiatrist. Reddy began to absent himself from office frequently.

This was the time when Srivastav and Xavier desired to go to Mumbai and talk to Reddy and pacify him. On the fateful day, Srivastav flew from Patna to Mumbai and Xavier from Bangalore to Mumbai.

The news that Srivastav was arriving at Mumbai was too much for Reddy to bear. He came to office and did the most tragic thing—ended his life.

What happened subsequently was even more tragic. The management did not recognise Reddy's wife. Xavier fought and got her a job—not in the same firm, but in another company in the same group. Disgusted, Xavier too quit the company.

(C) Yet Another Victim

One more precious life was lost, not by hanging or by jumping from a height, but by cold blooded murder. A promising youth newly married, long way to go, many things to realise suddenly fell a victim to a lustful barbarian. Prathibha S.Murthy (24 years) was working in the BPO unit of HP. The fateful day was December 13, 2005. At around 2 AM on that day, cab came to her house at Kumaraswamy Layout, Bangalore. As was the routine, Prathibha got into the cab unsuspecting, expecting that she would be ferried to her office on Hosur Road. She was taken, not to her office, but to a remote place in the newly developed Anjanapura BDA Layout. There she was raped and murdered by the driver of the cab—Shiva Kumar (22 years). The culprit admitted to the police that he slit the throat of Prathibha with sexual motive. He tried this with two other girls earlier but without success. But Prathibha Murthy sadly became a victim.

SAFETY

"Every twenty seconds of every working minute of every hour throughout the world, someone dies as a result of an industrial accident." This was how the seriousness of industrial accidents was described by the Director-General of the British Council, in his message of good wishes to the Seventh National Conference on Industrial Safety and Health organised by the National Safety Council, India. Exhibit 20.1 gives the major accidents in our country. The vignettes quoted above also demonstrate the good and bad about life in business establishments.

Exhibit 20.1 ***Major Accidents in the Last Decade***

- *Bhopal, December 1984* In the world's worst chemical disaster, a methylisocyanate gas leak from the Union Carbide plant in the city killed over 4000 people. Thousands suffered irreversible health damage.
- *Delhi, December 1985* An oleum gas leak from the Sriram Foods and Fertilisers plant in Delhi severely affected workers and those living in the neighbourhood.
- *Rourkela, December 1985* Blast furnace accident in Rourkela Steel Plant, 18 workers affected.
- *Durgapur, June 1987* Chlorine leak at Durgapur Chemicals Factory created panic all around. Long distance trains were halted. Over 100 were affected.
- *Bombay, November 1988* Fire at the Bharat Petroleum Refinery at Mahul, North-East Bombay, killed 32.
- *Ramagundam, September 1989* Major gas leak at Fertilisers Corporation of India unit at Ramagundam, killed 7.
- *Nagothane, November 1990* Explosion at the Indian Petrochemicals, Nagothane Complex, 35 persons killed, over 50 suffered 70 per cent burns.
- *Bombay, July 1991* Accident in a Hindustan Organic Chemicals unit near Bombay kills 7 workers.
- *Gwalior, December 1991* Blast at the dyeing department of GRASIM unit at Gwalior, 14 killed and 22 severely injured.
- *Panipat, August 1992* Ammonia leak at the National Fertilisers plant, Panipat, killed 11, many injured.
- *Kahalgaon, October 1992* Boiler explosion in the National Thermal Power Corporation (NTPC), 11 killed and several injured.[2]
- *Ahmedabad, August 3, 2003* Over 30 persons were killed and several injured in an explosion in an old three storeyed building that housed an industrial unit to manufacture equipment for a diamond cutting and polishing industry.
- *Bhadravati, Karnataka, August 1, 2003* Eight employees of VISL, including two officers, died on the spot and nine others were injured when a powerful explosion occurred in a converter in the steel-making section (SMS) of the plant.
- *Mumbai, August 11, 2003* 23 employees of ONGC were killed in a helicopter crash in the offshore Heera Panna Oilfield's Neelam area.
- *Kolkota, November 6, 2003* 19 people were burnt alive when a mob of nearly 400, mostly tea garden workers, set ablaze house of a trade union leader in the Dalgaon tea estate in north Bengal's Jalpaiguri District.[3]
- *Lucknow, November 19, 2005* Shanmugham Manjunath, an officer of IOC, was murdered after he threatened to seal a petrol pump for selling adulterated fuel.

Thousands of employees throughout the world lose their fingers, eyes, limbs, and their lives, everyday. Much blood flows in the sewers of industrial establishments. The perils inherent in industrial work has made the life of the worker very cheap.

? Pause and Ponder

Read the stories narrated at the beginning of this chapter. Why is this happening? Who is responsible? Why should innocent people lose their lives for the deeds of someone else? What can be done to prevent recurrence of such instances?

Why do these accidents occur? How can they be prevented? What should be the action plan of an organisation? These and other issues are the prime concerns of employee safety.

What is Safety?

Before discussing other issues relating to safety, it is useful to understand the nature of safety. Safety, in simple terms, means freedom from the occurrence or risk of injury or loss. Industrial safety or employee safety refers to the protection of workers from the danger of industrial accidents. An accident, then, is an unplanned and uncontrolled event in which an action or reaction of an object, a substance, a person, or a radiation results in personal injury.[4]

Safety refers to the absence of accidents. Stated differently, safety refers to the protection of workers from the danger of accidents.

TYPES OF ACCIDENTS

Accidents are of different types. They may be classified as major and minor ones, depending upon the severity of the injury. An accident which ends in a death, or which results in a prolonged disability to the injured is a major one. A scratch or a cut which does not seriously disable him/her is a minor accident, but an accident nevertheless. A mere incision or a deep scratch, say, on the leg or the shoulder, may or may not immediately disable the worker, but he or she may develop disability later. Again, a wound which may disable one worker may not disable another who receives a similar injury.

An accident may be internal or external. If a worker falls, or an object falls on him or her, it is possible he or she may show no external signs of injury, but he or she may have fractured a bone or strained a muscle or nerve—which is an internal injury. A worker may be disabled by an injury for an hour, half a day, a day, a week, a month, or a few months. If he or she recovers from such a disability, his or her disability is temporary. If the injury is such that he or she will never recover fully, his or her disability is permanent.

Again, a disability may be partial or total. Accidents may be fatal or nonfatal. Figure 20.1 shows the various types of accidents.

NEED FOR SAFETY

Eliminate the causes for accidents and industrial safety is ensured. Why safety?

An accident-free plant enjoys certain benefits. Major ones are substantial savings in costs, increased productivity, and meeting legal and moral requirements.

Cost Saving Two types of costs are incurred by the management when an accident occurs. There are the direct costs, in the form of compensation payable to the dependents of the victim if the accident is fatal, and medical expenses incurred in treating the patient if the accident is non-fatal, The management, however, is not liable to meet the direct costs if the victim is insured under the ESI scheme. When the victim is uninsured, compensation and medical expenses are the responsibility of the management. There is the cost of risk management, which the management must bear.

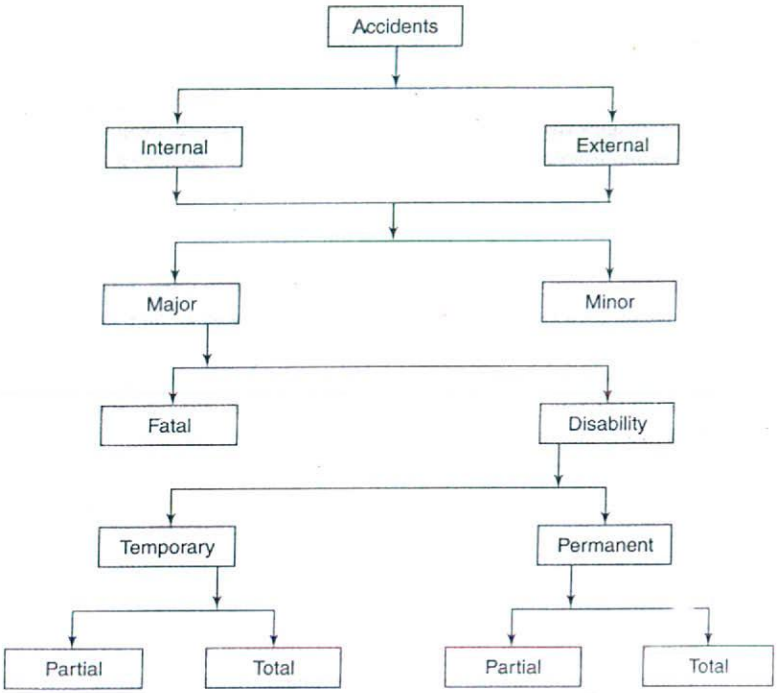


Fig. 20.1 Types of Accidents

More serious than the direct costs are the indirect or hidden costs which the management cannot avoid. In fact, the indirect costs are three to four times higher than the direct costs. Hidden costs include loss on account of down-time of operators, slowed-up production rate of other workers, materials spoiled and labour for cleaning, and damages to equipment.

When an injured worker returns (if he/she is lucky to do so), he/she may operate at less than his/her normal efficiency for sometime. Co-workers, too, may become emotionally upset for some time and consequently turnout fewer and inferior goods. Finally, customers may be lost because of the non-execution of orders on time (see also Fig. 20.2 for a typical calculation of cost of an accident).

A safety plant, by avoiding accidents, eliminates these direct and indirect costs.

Increased Productivity Safety plants are efficient plants. To a large extent, safety promotes productivity. Employees in safe plants can devote more time to improving the quality and quantity of their output and spend less time worrying about their safety and well-being.

Moral Safety is important on humane grounds too. Managers must undertake accident prevention measures to minimise the pain and suffering the injured worker and his/her family is often exposed to as a result of the accident. An employee is a worker in the factory and the bread-winner for his/her family. The happiness of his/her family depends upon the health and well-being of the worker. It is no secret that the depen-

Providing safety to the employees has moral dismension, in addition to being a legal requirement. An employer has no right to cause accident to an employee which might incapacitate him or her or kill the person. Monetary compensation does not bring the person back as a healthy individual.

	£
1. *Cost of wages paid for the time spent by uninjured work people:*	
(a) assisting the injured person, or out of curiosity, sympathy and so on, or	
(b) who were unable to continue work because they relied on his aid or output	
In category (a) 6 employees lost on an average 20 minutes	15.96
In category (b) 3 workers lost on an average 60 minutes	24.00
2. *Cost of material or equipment damage:*	
In this instance the casing of a 5 hp electric motor was cracked beyond repair and replaced by a new motor	530.00
Installation cost	130.00
3. *Cost of injured worker's time lost:*	
Treatment for abrasion on leg. 2 hours lost at £7.59 per hour	15.18
4. *Supervisor's time spent assisting, investigating, reporting assigning work, training or instructing a replacement and making other necessary adjustments:*	
One and a half hours at £12.95	19.43
5. *Wage cost of decreased output by injured worker after return to work:*	
4 days at 2 hours/day light work	74.00
6. *Medical cost to the company:*	
(A reduction in accidents does not necessarily mean lower expenses for running the works' medical centre)	38.00
7. *Cost of time spent by administration staff and specialists on investigations or in the processing of compensation questions. HM Factory Inspector reports, insurance company and Department of Health and Social Security correspondence and so on:*	
Low in this case	66.00
TOTAL	**912.57**

Additional Charges

Other cost elements not applicable to this accident but which must be considered in others include:
Overtime necessary to make up for lost production.
Cost of learning period of a replacement worker.
A wage cost for the time spent by supervisors or others in training the new worker.
Miscellaneous costs (includes the less typical costs, the validity of which will need to be clearly shown with respect to each accident):

- — renting equipment
- — loss of profit on orders cancelled or loss if the accident causes a net long-term reduction in sales
- — cost of engaging new employees (if this is significant)
- — cost of excess spoilage of work by new employees (if above normal)
- — attendance at court hearings in contested cases.

Costs such as these are present in nearly every accident.

Fig. 20.2 Cost of an Accident

Source: John Bratton and Jeffrey Gold, *Human Resource Management*, Palgrave-MacMillan, p. 154.

dents of a worker look forward to his/her reaching home safe everyday. Imagine their agony when they receive the news that the hands, legs, eyes, hands or the life itself of their bread-winner has been in jeopardy. True, a fatal or non-fatal injury entitles his/her dependents or him to monetary compensation, as per the Workmen's Compensation Act, 1923. But is monetary compensation a substitute for the person?

Legal There are legal reasons too for undertaking safety measures. There are laws covering occupational health and safety, and penalties for non-compliance have become quite severe. The responsibility extends to the safety and health of the surrounding community, too. The Supreme Court held:

An enterprise which is engaged in a hazardous or inherently dangerous industry which poses a potential threat to the health and safety of the persons working in the factory and industry in the surrounding

areas, owes an absolute and non-delegable duty to the community to ensure that no harm results to anyone on account of the hazardous or inherently dangerous nature. This implies unlimited liability.

The civil law establishes the extent of damages or compensation. In the criminal law, sentences are prescribed under the pollution control laws. There is no legal ceiling on the extent of liability.

Finally, financial losses which accompany accidents can be avoided if the plant is accident free. Financial losses can be considerable as revealed in Table 20.1.

Table 20.1 **Accidents—Estimated Loss**

Date of Occurrence	*Name of the Organisation*	*Estimated Loss (Rs in crore)*
29-01-87	Madras Ref., Manali	4.85
11-11-87	HPL Refinery, Vizag	3.40
09-01-88	JK Synthetics	6.92
20-09-88	Monica Electronics	3.86
05-05-88	Zenith Chem., Tarapur	4.00
30-08-88	IOC, Mathura	4.63
07-09-88	IEL, Gornia	5.00
09-11-88	BPCL	9.00
02-02-89	IPCL, Baroda	41.82
09-02-89	IAAI, Bombay	43.00
23-02-89	Voltas, Warora	5.00
08-01-95 to 02-03-95	ONGC, Pasarlapudi well blowout	41.44

Source: *The Economic Times*, March 10, 1995.

SAFETY PROGRAMME

Safety programme deals with the prevention of accidents and with minimising the resulting loss and damage to persons and property. Five basic principles must govern the safety programme of an organisation. The five principles are:[5]

1. Industrial accidents result from a multiplicity of factors. But these have to be traced to their root causes, which are usually faults in the management system arising from poor leadership from the top, inadequate supervision, insufficient attention to the design of safety into the system, an unsystematic approach to the identification, analysis and elimination of hazards, and poor training facilities.
2. The most important function of safety programmes is to identify potential hazards, provide effective safety facilities and equipment and to take prompt remedial action. This is possible only if there are:
   - Comprehensive and effective systems for reporting all accidents causing damage or injury;
   - Adequate accident records and statistics;
   - Systematic procedures for carrying out safety checks, inspections and investigations;
   - Methods of ensuring that safety equipment is maintained and used; and

- Proper means available for persuading managers, supervisors and workers to pay more attention to safety matters.

3. The safety policies of the organisation should be determined by the top management and it must be continuously involved in monitoring safety performance and in ensuring that corrective action is taken when necessary.
4. The management and the supervision must be made fully accountable for safety performance in the working areas they control.
5. All employees should be given thorough training in safe methods of work and they should receive continuing education and guidance on eliminating safety hazards and prevention of accidents.

A safety programme generally contains six elements, namely (*see* also Fig. 20.3):

1. Making strategic choices.
2. Development of policies, procedures and training systems.
3. Organisation for safety.
4. Analysis of the causes and occurrence of accidents.
5. Implementation of the programme.
6. Evaluation of the effectiveness of the programme.



Fig. 20.3 Safety Process

Strategic Choices

The *first* step in a safety programme is for managements to make decisions regarding safety of their workers. Many of the decisions made are based on strategic choices available to the organisation. Some of these strategic choices are:[6]

1. Managers must determine *the level of protection* the organisation will provide for employees. Some companies, for financial or liability reasons, prefer a minimum level of protection, while other organisations choose a maximum level of protection.
2. Managers can decide whether a safety programme will be *formal* or *informal*. Formal programmes will have written regulations and are carefully monitored. Informal regulations are enforced through peer pressure or good training.
3. Managers can also be *proactive* or *reactive* in developing procedures or plans with respect to employee safety. Proactive managers seek to improve the safety of employees prior to a need to do so, while reactive managers fix safety problems after they occur.
4. Managers can decide to use the *safety of workers as a marketing tool* for the organisation. This type of strategy would involve publicising what the company has done to promote safety and how safe the plant is to work with.

The four strategic choices listed above will also apply to issues relating to health of workers.

Safety Policy

Safety policy specifies the firm's goals and designates the responsibilities and authority for their achievement. It may also contain caveats and sanctions for failing to fulfill them.

The *second* step in evolving a safety programme is to have a safety policy. A policy specifies the company's goals and designates the responsibilities and authority for their achievement. It may also provide caveats and sanctions for failing to fulfil them. There are differences in the form and content of corporate policies. Their style, however, is not as important as the clarity with which they identify functional responsibilities and authority.

Specifically, a safety policy must contain a declaration of the organisation's intent and the means by which the intent is to be realised. As a part of the intent, the statement should emphasise four fundamental points:[7] **(i)** the safety of employees and the public; **(ii)** safety will take precedence over expediency; **(iii)** every effort will be made to involve all managers, supervisors and employees in the development and implementation of safety procedures; and **(iv)** safety legislation will be complied with, in the spirit as well as the letter of the law.

The means to realise the intent part of a policy refers to the organisation for safety.

Organisation for Safety

The *third* step in evolving a safety programme is to constitute an organisation for safety. Companies constitute safety committees which are, composed of employees from across the organisation. Typically, safety committees serve in advisory capacities and are responsible for such tasks as reviewing safety procedures, making recommendations for eliminating specific safety and health hazards, investigating accidents, fielding safety-related complaints from employees and monitoring statutory compliance.

Many companies employ safety specialists to design and handle the day-to-day activities of the safety programme. Responsibility of employee safety devolves upon the HR department whose task is to co-ordinate the activities of all those concerned with safety.

The top management cannot absolve itself of the responsibility of ensuring employee safety. In fact, the managing director of the company is held responsible for an accident and is punishable with fine, imprisonment or both.

Risk management is becoming very common these days. A typical modern corporation carries a portfolio of risks. They include risks associated with industrial safety, process technology, hazard insurance, materials management and environment degradation. The simplest way of safeguarding oneself is insurance. But insurance to cover all risks may not be available or will be expensive, if available. Industrial risk management is the answer to the problem. The job of risk management is to assess all risks for frequency, probability and severity, and to take necessary steps to avoid or reduce the impact of potential losses, besides monitoring the results.

The trend nowadays is to constitute a separate department for risk management. Essar, for example, has a 22-member department which is called the Department of Environment, Risk and Insurance Management. The team comprises experts in insurance and risk management, chemicals, electronics, mechanical and electrical engineering, and environmental science.

Consortium approach is spreading to safety, too. In Mumbai, a handful of companies have taken the initiative in setting up a mutual aid programme. They have written a ready reckoner called the Mutual Aid Response Group (MARG). In the event of a hazard, expertise is pooled in by the companies to ward off or control the hazard.

Whatever the arrangement, the organisation needs to analyse causes for accidents, measure the accident rates and have remedial measures on hand.

Causes, Extent and Remedies for Accidents

Causes for accidents are many and various. Broadly speaking, these causes may be classified into two groups—human failure and machine failure. Human failure leads to an accident when the employee ignores safety precautions and commits an unsafe act. Majority of accidents occur because of human failure. Machine failure refers to faulty mechanical or physical conditions leading to accidents. Table 20.2 outlines causes of accidents.[8]

There are a few more causes which Table 20.2 has failed to reveal. They are:

1. Lack of adequate inspection adds to the problem of industrial accidents. We have the Factories Act, the Boilers Act, the Indian Explosives Act, the Indian Electricity Act, the Pesticides Act, the Water (Prevention and Control of Pollution) Act, the Air (Prevention and Control of Pollution) Act, and the Environment Protection Act. All these contain elaborate provisions to ensure employee and public safety, and also punishment for non-compliance. Things usually go wrong in the implementation of the laws.

Table 20.2 **Causes of Industrial Accidents**

Unsafe Acts of Persons	*Unsafe Mechanical or Physical Conditions*
1. Operating without clearance, failure to heed warning.	1. Inadequately guarded, guards of improper height, strength, mesh, etc.
2. Operating or working at an unsafe speed.	2. Unguarded, absence of required guards.
3. Making safety devices inoperative.	3. Defective, rough, sharp, slippery, decayed, cracked, etc.
4. Using unsafe equipment, or using equipment unsafely.	4. Unsafely designed machines, tools, etc.
5. Unsafe loading, placing, mixing, combining, etc.	5. Unsafely arranged, poor housekeeping, congestion, blocked exits, etc.
6. Taking an unsafe position or posture.	6. Inadequately lighted, sources of glare, etc
7. Working on moving or dangerous equipment.	7. Inadequately ventilated, impure oil source, etc.
8. Distracting, teasing, abusing, startling, etc.	8. Unsafely clothed, no goggles, glares or masks, high heels, etc.
9. Failure to use safe attire or personal protective devices.	9. Unsafe processes, mechanical, chemical, electrical, nuclear, etc.
2% are unpreventable 98% are preventable	

Here comes the need for stringent inspection which is not forthcoming. Partly, the problem lies with the inadequate strength of inspectors. Table 20.3 shows the number of factories to be inspected by each inspector. Consequently, we have glass-making units at Faridabad, Mandya Sugar Mill at Mandya (Karnataka), and Vikrant Tyres at Mysore (Karnataka) to mention only a few. These are almost veritable death traps.

Table 20.3 **Inadequate Inspection**

State	*Number of Inspectors*	*Factories per Inspector*
Andhra Pradesh	92	233
Assam	1.2	212
Bihar	46	1038
Gujarat	103	144
Haryana	15	355
Himachal Pradesh	1	529
Jammu & Kashmir	4	180
Karnataka	38	315
Kerala	65	186
Madhya Pradesh	50	156
Maharashtra	130	184
Manipur	1	357
Orissa	24	94
Punjab	33	304
Rajasthan	40	232
Tamil Nadu	131	100
Tripura	4	175
Uttar Pradesh	48	135
West Bengal	62	138
Chandigarh	1	284
Delhi	22	208
Goa	3	140
Pondicherry	5	171
All India: Number of Inspectors 903,		Number of Factories 6004.

Source: *The Economic Times*, Nov. 8, 1992.

2. One of the ironies is that those who should be screaming the loudest at the woeful lack of occupational safety at the workplace—trade union representatives—are ambivalent on the issue. The perception is that there is a trade-off between safety and jobs. In Indian circumstances, jobs get priority with the management while employee representatives prefer to lay down the disaster prevention aspects. Typically, when there is an accident, there is much sound and fury on behalf of the labour union for compensation. But soon enough, that subsides and business proceeds as usual till the next accident.
3. Most workers in our country believe that getting into an accident is the result of one's *karma*—a worker is injured because it was pre-ordained that he/she should be injured. The injury is a deserved effect of a cause whose roots lie in the previous birth. Maybe, the worker had injured someone, cut off someone's limbs or stabbed someone in his/her past life. In compensation and requital, he/she is made

to suffer and is paid back in the same coin.[9] This belief, together with the feeling that death is certain and no one can prevent it, often makes the worker ignore safety measures.

4. Cracker manufacturing units, in the unorganised sector, are veritable death-traps. For example, in fire-works producing unit in Sivakasi, 32 people were roasted alive due to air explosion which took place on 19th September 1982. The explosions occur every year with sickening regularity in Sivakasi, which is called the 'Japan of India', claiming precious lives, mostly of women and children. Haphazard production, total disregard to elementary safety precautions, increasing reliance on child labour (about 45,000 children are engaged in the cracker-manufacturing industry), official's apathy and indifference are some of the factors causing avoidable deaths.
5. The private sector is guilty of negligence on the safety front. At times even elementary precautions are not adopted. Official reports on fires, that broke out in April 1983 at a cotton-ginning factory owned by the Kotharis at Adoni, Andhra Pradesh; and at Fabine Textiles in Bhiwandi, Maharashtra, in March 1997 note that the fire was mainly aggravated by the absence of adequate water-supply facilities in the former case and by the lack of fire-fighting equipment such as hydrants or sprinklers in the latter. And in petrochemical complexes, where mega-disasters can occur, private companies at times scrimp on safety devices to cut costs.

   Abrol of the Delhi Science Forum observes that Indian plants are not designed with enough back-up safety systems. Others in the industry point to corruption in the factories' inspectorate, the government arm that is supposed to check on safety at the factory level. A manufacturer confesses that he bribed a boiler inspector with Rs 5000 after the inspector said that the boiler's tube outlet for steam should have been stamped "boiler quality tested". The newly set-up plant could not go on stream because the boiler had not been certified by the factories inspectorate.[10]
6. In the name of the nature of industry, workers are crushed to death. Child labour in diamond cutting industry is common. Workers are often locked from outside to prevent them from smuggling out diamonds. The latter custom killed 127 workers as they stampeded against bolted doors when the January quake struck polishing units in Ahmedabad. Because of their arduous calling, most workers, including children, end up with failed eyesight early in life.
7. Companies exploit mines (coal mines, particularly) and once the deposits are exhausted, they are abandoned. The ash lying around the mines causes enormous pollution to human beings, cattle and flowers and fauna. Diseases like TB, cancer and loss of eyesight are very common. Who will fill the mines? Who will protect the hapless victims living around the open mines?
8. As companies globalise, and projects—especially, large ones involving greater complexities—increase, new risks emerge. Technological advancement has brought in threats of obsolescence, which itself is a big risk.

Accident Rates

Accidents are described in terms of frequency, severity and incidence. Organisations generally maintain frequency, severity and incidence records.

Mathematical formulae are used to calculate accident rates. Thus, for calculating the *incidence* rate the formula is:

$$\text{Incidence rate} = \frac{\text{Number of recordable injuries} \times 1 \text{ million}}{\text{Number of employee exposure hours}}$$

Suppose an organisation had 10 recorded injuries and 500 employees. To get the number of exposure hours, it would multiply the number of employees by 40 hours and 50 work weeks, that is $500 \times 40 \times 50 = 1$ million. In this case, the incidence rate would be 10, that is, there were 10 recorded injuries for every 100 employees.[11]

The *severity rate* reflects the hours actually lost due to injury. It recognises that not all injuries are equal. As was mentioned earlier, injuries may be fatal or non-fatal, total or partial, and permanent or temporary. Specific hours may be charged against an organisation for each category of injuries. The formula for calculating the severity rate is:

$$\text{Severity rate} = \frac{\text{Total hours charged} \times 1 \text{ million}}{\text{Number of employee hours worked}}$$

Obviously, an organisation with the same number of injuries as another but with more deaths would have a higher severity rate. The problem with severity rate is allotting hours for each injury. Allotment, at the most, can be arbitrary. Hence, severity rate is not generally calculated.

The *frequency rate* is similar to the incidence rate except that it reflects the number of injuries per million hours worked rather than per year:[12]

$$\text{Frequency rate} = \frac{\text{Number of disabling injuries} \times 1 \text{ million}}{\text{Number of employee hours worked}}$$

Extent of Accidents

Table 20.1 lists major industrial accidents that took place in our country in the past decade. Some more details are worth mentioning in this context. It is estimated that 14 lakh workers in India, five or seven times more than in Japan, the UK, and the US, are exposed to accidents. The problem is much more severe because there are thousands of unregistered industrial units, most of them small and tiny, which pose a major threat to the workers and the community. Tables 20.4, 20.5 and 20.6 show the number of casualties. Obviously, accident rates are relatively high in our country.

Table 20.4 **Fatalities in Coal India**

1994	186
1995	192
1996	110
1997	112
1998	99
1999	100

Source: "Annual Report of the Union Ministry of Mines and Minerals", Dept. of Coal.

Remedies

The methods and devices for the prevention of accidents are now available in plenty. Experiences and the relentless war waged by independent organisations like the Safety Council, and the stringent rules framed by the government have all resulted in the development of new methods and devices for the prevention of accidents. If an accident occurs now, it is not because of the lack of safety facilities, but because of the indifferent attitude of the management, carelessness of the workers and predilections of enforcing agencies. Before discussing safety measures in detail, it is useful to consider what has come to be known as the

Table 20.5 **Number of Casualties in All Industries**

Year	Factories			Mines			Railways		
	Fatal Injuries	Non-fatal Injuries	Total Injuries	Fatal Injuries	Non-fatal Injuries	Total Injuries	Fatal Injuries	Non-fatal Injuries	Total Injuries
1961	472	159,262	159,734	344	5,173	5,917	319	47,520	47,839
1971	631	324,361	324,992(P)	304	2,346	2,659	327	26,558	26,895
1981	687	331,793	332,480(P)	254	1,697	1,951	326	25,485	25,811
1982	599	301,669	302,268(P)	263	2,637	2,900	311	24,120	24,431
1983	456	212,704	213,160(P)	266	2,600	2,866	260	23,594	23,854
1984	305	108,625	108,930(P)	251	1,684	1,935	338	24,341	24,679
1985	947	244,323	245,270(P)	273	1,492	1,765	327	23,541	23,868
1986	475	180,748	181,223(P)	300	1,608	1,908	273	22,709	22,982
1987	487	151,321	151,808(P)	250	1,356	1,606	232	21,875	22,107
1988	694	199,564	200,256(P)	250	1,120	1,370	274	19,211	19,485
1989	423	102,079	102,502(P)	232	1,201	1,433	237	17,633	17,870

(P) Provisional

Source: Labour Bureau, Indian Labour Year Books.

Table 20.6 **Number of Compensated Accidents and the Amount of Compensation Paid**

Year	Average Daily No. of Workers Employed in Establishments Submitting Returns	Number of Compensated Accidents Resulting in				Amount of Compensation Paid (Rs. thousand)			
		Death	Permanent Disablement	Temporary Disablement	Total	Death	Permanent Disablement	Temporary Disablement	Total
									All India
1951	3,897,000	1,087	4,391	57,655	63,133	2,208	2,293	1,397	5,898
1961	4,770,185	1,238	4,897	87,603	93,738	2,766	2,558	2,674	7,999
1971	4,130,359	1,101	3,046	53,199	57,346	7,506	3,711	4,698	15,915
1981	4,222,968	1,493	2,632	30,321	34,446	20,874	7,000	13,562	41,436
1982	5,899,467	2,026	1,762	40,070	43,858	20,647	7,936	6,280	34,863
1983	5,081,408	1,128	2,408	40,014	43,550	17,280	7,835	5,845	30,960
1984	4,778,030	1,021	1,733	25,290	28,044	21,977	7,923	7,182	37,083
1985	2,367,343	594	5,469	14,483	20,546	19,643	6,371	7,259	33,273
1986	3,691,589	536	2,111	22,572	25,219	24,712	9,709	5,682	40,303
1987	1,948,619	480	1,109	14,035	15,624	20,847	10,129	12,353	43,329
1988	9,67,870	354	1,675	93,008	95,037	15,563	6,438	5,183	27,184
1989	3,295,265	789	1,339	1,60,465	162,593	38,541	13,838	12,784	65,163

Figures relate to only those States/Union Territories which submitted returns.

Source: Labour Bureau, Indian Labour Year Books.

axioms of industrial accidents. These principles enable the management to understand the causes and consequences of accidents and to introduce suitable safety devices. The principles are:[13]

1. The occurrence of an injury invariably results from a complete sequence of factors, the last one of these being the accident itself. The accident is caused or permitted directly by an unsafe act of an employee and/or a mechanical or physical hazard.
2. The unsafe acts of employees are responsible for a majority of accidents.
3. The employee who suffers a disability/injury caused by an unsafe act has had an average of over 300 narrow escapes from serious injury that might have resulted from the very same unsafe act. Likewise, employees are exposed to mechanical hazards hundreds of times before they suffer an injury.
4. The occurrence of an accident that results in an injury is largely preventable.
5. Four basic methods are available for the prevention of accidents—engineering revision, persuasion and appeal, personal adjustment and discipline.
6. The methods most valued in accident prevention are analogous to the methods required for the control of quality, cost and quantity of production.
7. The supervisor or the foreman is the key person in industrial accident prevention. His/her application of the art of supervision to the control of worker performance is a factor which exerts the greatest influence in successful accident prevention.
8. The humanitarian incentive for preventing accidental injury is supplemented by a realisation of two powerful economic factors, namely:
   (i) A safe establishment is efficient productively, and an unsafe establishment is inefficient.
   (ii) The direct employer costs of industrial injuries for compensation claims and for medical treatment are but one-fourth of the total which the employer must bear.
9. Safety should be driven internally, not externally.
10. Do not count on common sense for safety improvement.
11. Safety incentive programs should focus on processes rather than outcomes.
12. Behavior is dictated by activators and motivated by consequences.
13. When people feel empowered, their safe behavior spreads to other situations.

These axioms give us an idea of various safety measures to be implemented by the management. However, we discuss here certain important safety measures. The measures are applicable to all industrial establishments, irrespective of their size and age.

Training in Safety

Systematic training of industrial employees is necessary if they are to do their jobs efficiently and safely. This is an inescapable requirement, regardless of how carefully employees are selected or how much aptitude and experience they may have for the jobs to which they are assigned. Training practices in the industry will be found to vary widely with respect to method, content, quality, quantity, and source of instruction. The differences are influenced, strongly by the size of the company, the types of jobs performed, and the awareness of the management regarding the importance of training.

It is not enough if workers are trained on the methods of avoiding accidents. They must be trained on the ways of minimising damage, should an accident occur. For example, high-voltage line repairers must he given thorough indoctrination in correct work methods before they are permitted to undertake more hazardous phases of their work. Additionally, the employees must be given instructions in first-aid procedures, including specialised techniques for resuscitation, using prescribed methods that can be applied while the victim is still at the top of a high-voltage line pole. A similar problem might occur in a chemical plant. Employees may be working with compounds that, if accidentally released or spilled in large volumes, would cause severe injury upon contact with the skin or body tissues.[14] In such situations, a common safety device

is the installation of emergency showers that provide a deluge of water to thoroughly flush the dangerous compound off the skin of a victim. Training for such workers requires, therefore, not only what to do and what not to do in performing the job properly, but also thorough instructions on the use of special devices and procedures, in the event an emergency occurs.

Training may be given by the foreman or supervisor responsible for the job. However, nowadays, the management is finding it worthwhile to use specialists in training to supplement the work of the supervisor, as in the case of job analysis and injury prevention. Training specialists do not necessarily do the job for which the supervisor is responsible. The function of the specialist is to set up the procedure so that the training can be imparted by qualified persons in the plant or; individual departments. The specialist will prepare the instructional manuals and other details for conducting the training programme, and supervise the activity.

The National Organic Chemical Industries (NOCIL) has unique training programmes on safety. The company has a risk management team comprising medical officers, nursing and pathological staff and safety officers-all numbering 20. The team's agenda includes safety, health and environment protection. NOCIL's training programmes consist of mandatory training programmes like mock safety drills (every week) and evacuation drills (at least once in a year). In addition, the company has organised a modular approach to step up safety measures.

There is the departmental module in which all departments at the plant are in an integrated safety programme. A regular duty system enables every department to participate. This team is led by the particular department head assisted by a fire marshall, an operations expert, four engineers (mechanical, electrical, inspection and instrumentation) and a product transport specialist to take accountability of in-transit cargo.

The second module extends itself beyond the plant. NOCIL's sales and marketing teams at Mumbai, Kolkata, Delhi and Chennai have been geared to take charge in the event of any perilous occurrence. About 50 sales persons have been trained to respond to any mishap.[15]

At Burroughs Wellcome India seminars, training programmes and workshops are a regular feature. In fact, these programmes have yielded good results to the company.

Physical and Mechanical Conditions

Safety measures should be kept in mind while planning a layout and constructing a building. Workers must be provided with safe tools and equipment to work with. All machinery must be fended, and mechanically and physically unsafe conditions should be eliminated.

No new machine should be installed without being sufficiently guarded and fenced. The practice of supply of safety accessories by the manufacturers on request at an extra cost must be discontinued. Machines must be designed, manufactured, priced, and supplied with necessary built-in safety measures. The safest way would be to install machines—as in industrially advanced countries—which would automatically stop working as soon as the worker's hand crosses the danger zone.

Protective equipment of good quality and proper size, goggles, gloves, ear muffs, safety belts and shoes, helmets, and so forth, should, be supplied to workers, who must be educated to wear them while on duty.

Aisles and passages should be free to permit easy movement of workers and materials. Proper storage facilities should be provided for materials and work-in-progress so as to prevent collision and stumbling, and to facilitate escape in emergencies.

There is a need for periodic inspection to ensure safety of workers and machines. Defective tools and equipment must be discarded. Safe electrical wiring adds to the safety of a plant.

In this context, it is useful to recollect the provisions of the Factories Act, 1948 relating to safety. Sections 21 to 41 of the Act deal with safety. The safety provisions are absolute and obligatory and the occupier of every factory is bound to follow them (*see* Exhibit 20.2 for the provisions).

Exhibit 20.2 ***Provisions of the Factories Act, 1948***

The provisions are:

S.21 Dangerous part of every machinery must be securely fenced. S.22 stipulates that the machinery in motion must be examined by a trained adult male worker. The section further provides that any young person or a woman should not handle a machine which is in motion. S.23 states that young persons should not be allowed to work on dangerous machines. S.24 says that every factory must provide suitable striking gear. There should also be a locking device to prevent accidental starting of transmission machinery.

According to S.25, no traversing part to be allowed to run within a distance of 45 centimetres from any fixed structure.

S.26 requires that casting should be done in such a way as to prevent danger.

S.27 stipulates that women and children should be prohibited from going near cotton openers.

According to S.28, hoists and lifts should be in good condition and should be examined once in every six months. Similarly, lifting machines, chains, ropes and lifting tackles must be in good construction and should be examined once in every 12 months (S.29).

S.30 requires that notice of maximum safe working speed of grindstone or abrasive wheel, etc. to be kept near the machine.

S.31 stipulates that safe working pressure should not be exceeded.

S.32 requires that in every factory all floors, steps, stairs, passages and gangways shall be of sound construction and be properly maintained. Similarly, pits, sumps, and openings in floors must be covered or fenced (S.33).

According to S.34, no person shall be employed in any factory to lift or carry excess weight so as to cause his/her physical injury.

S.35 mandates provision of goggles or screen to protect persons working on machines which might cause damage to his/her eyesight.

S.36 prohibits entry of any worker into any chamber, tank, pit or pipe where any gas or fume is present.

S.37 mandates that measures be taken to prevent explosion on ignition at gas or fume. Similarly, measures must be taken to prevent outbreak of fire and its spread (S.38).

If it appears to the factory inspector that any building, part of a building or machinery is dangerous to human life he/she may ask for details about them or insist on suitable tests to determine their safety (S.39).

Where unsafe condition is reported, the inspector may serve a notice on the occupier to initiate suitable measures to restore safety (S.40).

Where a factory employs 1000 or more workers, there must be a qualified safety officer(s) appointed to ensure compliance of all the safety provisions (S.41).

Role of Management and Unions

The problem of safety must begin with the management. The management should believe in, and have a commitment to safety and safety rules. The mere constitution of a safety committee, or the appointment of a safety officer serves no great purpose. Nor is it enough merely to show concerns for safety after an emergency. The management must view safety as an integral part of the management process. Strong trade unions can force unwilling managers to undertake safety measures.

Safety Posters and Film Shows

Safety posters with poignant illustrations and penetrating slogans may be put up on the walls near workplaces. The National Safety Council has published a series of such slogans as, "Provide Guards—

Avoid Tragedies", "Overconfidence leads to accidents", "No grip—No safe", "Speed thrills, but kills" and so on.

Films on how accidents occur, on the consequences of injuries, and the need for safety may be screened for the benefit of the workers—like the films on road safety which the police show for the benefit of the public. Film shows are more effective than posters because of their tremendous audio-visual impact. It is regrettable that such films have to be imported. Foreign films may fail to carry home the message to the workers because they are produced in foreign languages and in foreign situations and locales. It is time that films are produced in regional languages covering local events, and are exhibited for the benefit of our workers.

Safety Week and Awards

A safety week is observed from the 1st to 7th of every March. Workers are given badges with green triangles printed on them and are asked to wear them while on work. Film shows are also arranged during the week.

Safety awards are presented by the National Safety Council every year to industrial establishments which show accident-free operations. BHEL has been the recipient of the highest number of such awards.

Implementing the Policy

The *fifth* step in a safety programme is the implementation of the safety policy. For implementation, the programme must cover.[16]

- Procedures for reporting accidents, hazards, fire precautions, first aid.
- Arrangements for instructing workers about safe working methods and for training employees in safety matters.
- Good housekeeping requirements covering storage facilities, adequate space for machinery and plant, and the provision of gangways.
- Special rules for work done at a height, in confined spaces, on certain electrical equipment or unguarded machinery.
- The maintenance of equipment and the provision of proper inspection and testing arrangements.
- General rules on safe working habits.
- Special rules for internal transport drivers.
- Arrangement for checking new machinery and materials.
- Safety inspections.
- The provision of personal protective equipment, and rules as to its use.
- Suggestions on safety matters.

Till recently, environmental protection and public safety were ignored by companies. With cases like Bhopal, and the oleum gas leak from the Shriram Foods and Fertilisers factory in Delhi, public liability and environment protection are becoming important. Guidelines relating to these must become part of a policy statement.

Programme Evaluation

Several methods exist and have been proposed for gauging the effectiveness of safety programmes. Broadly, they can be classified as systemic or organic.

Organic methods attempt to evaluate how well the safety programme is designed and fulfilled. Of interest, in this case, is the merit of programme's elements and their level of implementation. The concern in

systemic is with the effects of the programme, that is, the achievement of the aim(s) the programme is designed to serve[17] (e.g. reduction in the rate of accidents, cost saving and the like).

Assessment of the effectiveness of safety programmes is made through two broad categories of measures: organic and systemic. Organic methods attempt to evaluate how well the safety programme is designed and fulfilled. Systemic measures, on the other hand, are concerned with the outcome.

Organic Measures

Organic measures seek to answer several questions. For example:

1. Is the programme effective in changing unsafe behaviour?
2. Have safety attitudes been improved?
3. Have injury-producing physical conditions been corrected?
4. Are regulatory provisions relating to safety complied with?

These are some of the issues which organic safety performance measures are concerned with.

Three techniques are used to measure organic safety effectiveness, namely **(i)** safety inspection, **(ii)** safety audit, and **(iii)** comparison.[18]

Safety Inspection In this, inspectors are given specifics to follow. These may include programme elements such as formation of safety committees, how often they meet, as well as more customary items covering compliance with regulations. After inspection, a report of the findings is made to the management concerned. Inspection varies in intensity and scope, but the procedures and objectives remain the same. Inspection is universal in its application, too.

Safety Audit Audit is an in-depth analysis of facilities, management and employee, attitude towards safety, managerial effectiveness in maintaining safety, and quality of the safety planning as well as the operation's conformity with safety regulations. In the latter case, the level of compliance is considered as an indicator of operating effectiveness, because audit is not simply concerned with whether regulations are followed to the letter.[19] Overall performance in controlling the operation's safety is the audit's quest, rather than simply determining existing safety oversights.

Audit is comparable to inspection, but differs ordinarily in intensity with which the examination is conducted.

Comparison This is the third method of evaluating the company's safety efforts. The purpose here is to compare the experience of a plant or industry with that of another which is comparable. It is well-known that some operations have consistently better frequency (or severity) rates, often inspite of inherently high operating hazards. The question then is whether the operation is doing better than its counterparts, and over how long a span it has been improving or sliding.

Systemic Measures

The most common methods of quantifying safety performance are the incidence ratio, severity ratio and frequency ratio. Another method is to ascertain accident cost figures and use the data in formulating a safety policy as well as evaluating departmental efficiency with respect to safety performance.

More important is the overall effectiveness of the management itself. Simple evidence of managerial support appears to assist safety achievement only fleetingly. It appears that for safety to be optimised, the management must be generally effective in persuading the fulfilment of all responsibilities that are related to the mission of the organisation. The motivation for safety, therefore, is dependent on the management's overall leadership qualities. The requirement is no different from that needed for optimising group efforts generally.[20] This need is inherent in the concept of management hierarchies.

HEALTH

The well-being of the employee in an industrial establishment is affected by accidents and by ill health-physical as well as mental. In this section, we shall discuss the need for healthy workers and health services to be provided by the management to ensure the continuing good health of their employees.

We propose to examine employee health from the following angles-physical health, mental health, noise control, stress management, AIDS, alcoholism, and drug abuse, and violence in work place.

I. Physical Health

Ill health of employees results in reduced productivity, high unsafe acts, and increased absenteeism. A healthy worker, on the other hand, produces results opposite to these. In other words, healthy employees are more productive, more safety conscious, and are more regular to work. The worker who is healthy is always cheerful, confident looking, and is an invaluable asset to the organisation.
But the physical health of an employee can be adversely affected by several causes as shown in Table 20.7 (*also see* Exhibit 20.3).

Table 20.7 **Health Hazards**

Health Hazards	*Causes*
Lung cancer	Coke oven emissions, asbestos, active or passive cigarette smoke
White lung disease	Asbestos
Black lung disease	Coal dust
Brown lung disease	Cotton dust
Leukemia	Benzene, radiation
Cancer of other organs	Asbestos, radiation, vinyl chloride, coke oven emissions
Sterility/reproductive problems	Radiation
Deteriorating eye-sight	Chemical fumes, office equipment
Hearing impairment	High noise levels

Exhibit 20.3 ***The Global Eco-warrior Comes Calling***

The Rainbow Warrior, belonging to the environmental group Greenpeace, sailed into Mumbai's Ferry Wharf on Wednesday to launch Greenpeace India's campaign for corporate responsibility. The ship brings with it a crew of 15 from 10 countries. The Chief Mate, Moritz Kuhlenbaumer, said their immediate focus was on the ship-breaking yard at Alang, Gujarat. An estimated 40,000 workers from Bihar, Orissa, West Bengal and Uttar Pradesh break hundreds of end-of-life vessels—ships that are not seaworthy—at the yard under extremely hazardous conditions.

"The point we are trying to make," Kuhlenbaumer said, "is that big companies should clean up ships before they send them to Alang. Companies make huge profits from these ships and then sell them off to ship-breakers. We are not opposing the ship-breaking industry in Alang. We understand that people need to make a living, but European companies should take the responsibility to ensure that their ships are free of toxic substances before they are sent here."

On an average, it takes three months to break down a ship. Over 95 per cent of the value of these ships lies in the steel recovered from them as scrap. Some 600 to 700 vessels are brought every year to Asian ship-breaking yards such as Alan. In the process of recovering scrap, the workers, who wear no protective gear, are exposed to hazardous materials such as asbestos. These substances also pollute the soil and the sea as mineral oil and other compounds in the ship's bilge are released in the process.

The medical officer onboard the Rainbow Warrior, Lesley Simkiss, from New Zealand, says that the effects of exposure to asbestos are not immediate. Fine particles lodge themselves in the lining of the lung, leading to asbestosis and also cancer. Many workers will probably not even be aware that their respiratory problems are caused by such exposure.

If these ships were broken up in Europe, says Kuhlenbaumer, the process would cost companies a hundred times more just in wages. This is apart from the precautions they would have to take to ensure that they do not expose workers to hazards or pollute the surroundings. Yet, these companies have no compunction about sending these ships to Asia.

As part of the its campaign, Greenpeace plans to warn workers at Alang about these hazards by pasting notices on the ships. "The message to the ship-breakers is that European owners put them in danger by sending ships with toxic substances on board," said Kuhlenbaumer.

In addition, the group plans to collect evidence about European companies that do not conform to international regulations that ban toxic dumping and will present this to the International Maritime Organisation, which is scheduled to meet by the end of the year.

This Rainbow Warrior is not the original ship that became famous in the 1980s for its campaigns, particularly against nuclear testing. During a campaign in New Zealand against the French nuclear tests at Moruroa Atoll, the ship sank after French agents planted bombs on it on July 10, 1985. Four years later, Greenpeace acquired the Grampian Fame, a 32-year-old oil-rig standby vessel, refitted it and christened it the Rainbow Warrior on the fourth anniversary of the bombing of the original ship.

The last time it docked in Mumbai was in December 1999 as part of the Greenpeace Toxic Free Asia tour.[21]

A realisation of the advantages which flow from a healthy workforce has impelled many managements to provide health services to their employees, which vary from the simple provision of first-aid equipment to complete medical care. Many progressive organisations maintain well-equipped dispensaries with full-time or part-time doctors and full-time compounders/nurses. Unlike his/her counterpart of yesteryears, who would take every precaution to protect his horses against diseases but felt that the health of the human worker was his own business, the manager of today is fully aware of the advantages of having a healthy workforce.

The protection of the health of the workers is a legal requirement too. Sections 11 to 20 of the Factories Act, 1948 deal with the health of workers (*see* Exhibit 20.4).

Exhibit 20.4 ***Provisions of the Act***

- Factory to be kept clean and free from effluvia and dirt (S.11).
- Arrangements to be made for disposal of wastes and effluents (S.12).
- Adequate ventilation and temperature to be provided (S.13).
- Measures to be taken for prevention of inhalation or accumulation of dust and fumes (S.14).
- Standards for artificial humidification to be fixed (S.15).
- Overcrowding related injuries to health of workers to be avoided. 9.9/14.2 cubic metres of space must be provided for each worker (S.16).
- Sufficient and suitable lighting must be provided in every part of the factory (S.17).

- Glazed windows to be kept clean. Measures need to be taken for prevention of glare and formation of shadows (S.17).
- Suitable points for wholesome drinking water must be provided. Drinking points to be legibly marked and located away from urinals. Water needs to be cooled if the number of workers is 250 or more (S.18).
- Latrines and urinals to be separately provided for male and female workers. They should be well lighted and ventilated (S.19).
- Sufficient number of spittoons must be provided. Whoever spits outside the spittoons shall be punishable (S.20).

Health Services A typical organisation renders the following health services to its employees. It may be stated that these services, at best, offer first-aid treatment to the victims. For any major ailment, employees are advised to go to ESI or authorised clinics/nursing homes.

1. Pre-hiring medical check-up for all employees.
2. Periodical physical, check-up of all employees. Regular medical check-up of executives to detect early signs of tension, ulcers, diabetes and the like.
3. First-aid treatment following an accident. Training in first-aid to all employees.
4. Treatment of minor complaints, such as cold, cough, fever and headaches.
5. Rehabilitation and job placement of seriously injured workers who have been cured but suffer from some disability.
6. Control of occupational health hazards.
7. Provision of healthy sanitary facilities, such as supply of potable water, disposal of waste and effluents; provision of healthy food; elimination of insects and rodents; provision of personal services; good housekeeping and the like.
8. Special examination of eyes, teeth and ears, when needed.
9. Co-operation with family physicians, local hospitals, clinics, as well as with specialists.
10. Special care of employees working in painting, welding and foundry sections where the risk of their health is greater.
11. Maternity and child welfare, including family planning.
12. Adequate ventilation, good lighting, tree planting and good residential quarters.

II. Mental Health

In recent years, mental health of employees, particularly that of executives, has engaged the attention of employers. Three reasons may be given for this development. First, mental breakdowns are common in modern days because of pressures and tensions. Second, mental disturbances of various types result in reduced productivity and lower profits for the organisation. Third, mental illness takes its toll through alcoholism, high employee turnover, and poor human relationships.

A mental health service is generally rendered in the following ways:

1. Psychiatric counselling,
2. Co-operation and consultation with outside psychiatrists and specialists.
3. Education of company personnel in the nature and the importance of mental health.
4. Development and maintenance of an effective human relations programme.

III. Noise Control

An age-old problem, and not effectively tackled till now, is the noise in industrial establishments. Noise made its appearance in organisations when humans started working on metal. As civilisation advanced,

human discovered more and more ways of having machines to do his/her work, and each new machine added to the problem. For quite a number of years, noise was endured by all. But, in the recent past, the increasing use of machines of great speed is telling upon the health of the workers.

Long exposure to excessive noise impairs the hearing of employees. The level and duration of noise and the exposure that is likely to cause deafness varies from person to person. It is agreed that long exposure (10 years) to noise in excess of the prescribed limits makes one deaf. (Table 20.8 gives permissible levels.) But in most industrial operations, noise levels exceed the agreed norm as shown in Table 20.9.

Noise can only be minimised but cannot be totally eliminated. Constant exposure to noise not only impairs hearing ability, it has adverse effects on general health of the employees.

Table 20.8 **Permissible Exposure**

Total Time (continuous or a number of short-term exposures) per day, in Hours	*Sound Pressure Level in (dBA)*
8	90
6	92
4	95
3	97
2	100
11/2	102
1	105
3/4	107
1/2	110
1/4	115

Table 20.9 **Industrial Noise Levels**

Industry/Operation	*Sound Pressure Level (dBA)*
Detonator manufacturing and testing	94–140
Pharmaceutical	94–128
Foundry in motor manufacturing plant	104–120
Heavy engineering	94–124
Synthetic fibre manufacturing unit	90–117.5
Electronics	87–122
Hydel power plant	92–106
Road transport workshop	90–124
Cotton textile mill	92–105
Fertiliser plant	104–118

Source: Environmental Engineering Division, Central Labour Institute, Mumbai.

'Noise-induced hearing loss' has been included as a notifiable disease under the Factories Act, 1948. It is also compensable under the Workmen's Compensation Act, 1923.

But hearing loss is not the only effect of noise. Constant exposure to high noise levels can cause hormonal imbalances, changes in blood circulation, dizziness, increase in respiratory rate, heartburn, sleep disturbances and fatigue. Outwardly, workers may seem accustomed to the noise. But the body suffers till it succumbs to persistent onslaughts.

Control Methods It is impossible to eliminate noise from industrial establishments. It is there as long as machinery is used in manufacturing operations. However, noise control can help minimise harmful effects on employees. Noise control can be achieved **(i)** at the source, **(ii)** through enclosures, **(iii)** by absorption, or **(iv)** by ear protection.

Controlling noise at its *origin* is the best method of reducing its harmful effects. But it is difficult to plan for this control, because identical machines may require different methods since production problems and economic considerations are often different. However, noise can be controlled at its source by quietening the noise-producing elements by repairing or redesigning the machines; mounting machines to reduce vibration; or substituting noise-producing elements with quieter ones.

Considerable reduction in the level of noise may be achieved by providing enclosures for machines with specially made covers or housing them in separate rooms. But a small opening is enough to produce heavy leakage of noise. Care should, therefore, be taken to make the *enclosure* as fool proof as possible. Where machines cannot be enclosed, places which need quieter surroundings may themselves be enclosed, for example a works office. Similarly, a machine transmitting vibration on a large-scale may be isolated from the rest of the operations.

The harmful effects of noise may be reduced by *absorbing* it. Ceilings and walls may be constructed with acoustic materials to absorb sound. Empty space around the high noise-producing machine may be provided to absorb the noise. High ceilings dissipate noise considerably.

Where noise is excessive and other methods of noise control are likely to be ineffective, employees working close to the source of noise may be given *ear protection* to prevent any impairment of their hearing capacity. They may be provided with muffs, helmets, cotton and soft rubber, to be worn by them while on work. They should be educated to wear the protection equipment, because the tendency with most workers is to ignore.

IV. Work Stress

Stress refers to an individual's response to a disturbing factor in the environment and the consequence of such reaction. Stress is mostly understood to be negative. But it has positive dimension also. Where stress brings out something better from an individual, it is called eustress.

Stress is an individual's response to a disturbing factor in the environment and the consequence of such reaction. Stress obviously involves interaction of the person and the environment. To quote a definition: Stress is an adaptive response to an external situation that results in physical, psychological and/or behavioural deviations for organisational participants.[22] The physical or psychological demands from the environment that cause stress are called *stressors*. They create stress or the potential for stress when an individual perceives them as representing a demand that may exceed that person's ability to respond.

Stress can manifest itself in both a positive and a negative way. Stress is said to be positive when the situation offers an opportunity for one to gain something. *Eustress* is the term used to describe positive stress. Eustress is often viewed as a motivator since in its absence the individual lacks that 'edge' necessary for peak performance. It is negative when stress is associated with heart-disease, alcoholism, drug abuse, marital breakdown, absenteeism, child abuse and a host of other social, physical, organisational and emotional problems.

Stress is associated with *constraints* and *demands*. The former prevents an individual from doing what he or she desires. The latter refers to the loss of something desired. Aspiring to own a new Ford Ickon and not be able to mobilize the necessary finance is a *constraint*. Desiring to attend a social function but unable to do so because of pressing official work amounts to a *demand*.

Constraints and demands can lead to potential stress. When they are coupled with uncertainty of the outcome and importance regarding the outcome, potential stress becomes actual stress. Stress is high when there is uncertainty of outcome and the outcome is significant.

What is Not Stress? To make the meaning of stress more clear, it is useful to state what does not constitute stress. Each of the following does not amount to stress:

Stress is not simply anxiety or nervous tension: These symptoms do not constitute stress. People exhibiting these behaviours may not be under any stress. Similarly, individuals who are under stress may not exhibit anxiety or nervous tension.

Stress need not always be damaging: People frequently experience stress without any strain at all. Daily activities of life may be stressful, but not always harmful.

Stress is not always due to overwork: Stressed-out individuals are not always those who are overworked. Stress may also result from having too little to do.

Stress cannot be avoided: It is necessary to realise that stress is an inevitable part of life and that it cannot be avoided. What can, however, be avoided are the negative reactions to stress.

The body has a limited capacity to respond: Stress is the body's biological response mechanism. The body has only limited capacity to respond to stressors. The workplace makes a variety of demands on people and too much stress over too long a period of time exhaust the ability to cope with the stressors, as is evident from the second preview case to this chapter.

The Stress Experience Not all individuals experience stress with the same intensity. Some people over-react to stressors and get highly stressed. Others have the stamina, endurance and composure to cope with any stressors. How an individual experiences stress depends on: **(i)** the person's perception of the situation, **(ii)** the person's past experience, **(iii)** the presence or absence of social support, and **(iv)** individual differences with regard to stress reactions.[23] (*See* Fig. 20.4)

? Pause and Ponder

Recollect a day when you were stressed. What led to that situation? What were the consequences? How did you cope with that? What lessons have you learnt from that incident? What learning can you pass on to others in similar league?

Perception Perception refers to a psychological process whereby a person selects and organises stimuli into a concept of reality. Employees' perception of a situation can influence whether or not they experience stress. A simple transfer from one place to another may be perceived by one employee as an opportunity to see new places and learn new things. The same transfer may be understood by another employee as extremely threatening and indicating unhappiness of the management with his/her performance.

Past Experience Whether a person experiences stress or not depends on his/her past experience with a similar stressor. Writing anonymous letters against the boss or giving leads to the press and getting false stories published against the boss are common among disgruntled employees. Over a period of time, the boss will get used to such allegations, though initially he/she undergoes stress.

The relationship between experience and stress is also based on reinforcement. Positive reinforcement or previous success in a similar situation can reduce the level of stress that a person experiences under certain

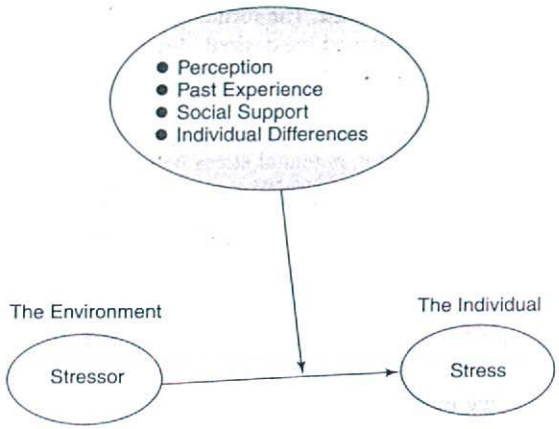


Fig. 20.4 The Relationship between Stressors and Stress

Source: Don Hellriegal, et al, *Organisational Behaviour*, p. 193

circumstances; punishment or past failure under similar conditions can increase stress under the same circumstances.[24]

Social Support The presence or absence of other people's influences how individuals in the workplace experience stress and respond to stressors. The presence of co-workers may increase an individual's confidence, allowing the person to cope more effectively with stress. For example, working alongside someone who performs confidently and competently in a stressful situation may help an employee behave in a similar way. Conversely, the presence of fellow workers may irritate some people or make them anxious, reducing their ability to cope with stress.

Individual Differences Individual differences in motivation, attitudes, personality and abilities also influence whether employees experience work stress and if they do, how they respond to it. What one person considers a major source of stress, another may hardly notice. Personality characteristics, in particular, may explain some differences in the way employees experience and respond to stress. Type A individuals, for example, tend to experience more stress than Type B personalities.

Work Stress Model Figure 20.5 contains a typical model of occupational stress. As illustrated in the figure, stressors lead to stress, which in turn leads to a variety of consequences. The model also contains several variables that help moderate the stressor—stress—outcome relationship. A moderator is a variable that causes the relationship between stress and its outcomes to be stronger for some people and weaker for others.[25]

A moderator is a variable that causes the relationship between stress and its outcomes to be stronger for some people and weaker for others.

Stressors—Source of Stress Stressors originate at the individual, group, organisational and extraorganisational levels (See Fig. 20.5).

Individual-level Stressors These relate directly to a person's personality and job responsibilities. Experts estimate that each year more than 10 million workers develop computer-related vision problems that require a trip to an optometrist. Forty per cent of these people use special glasses while working on video display terminals.

The most common individual-level stressors are type of personality, role overload, role conflict and role ambiguity.

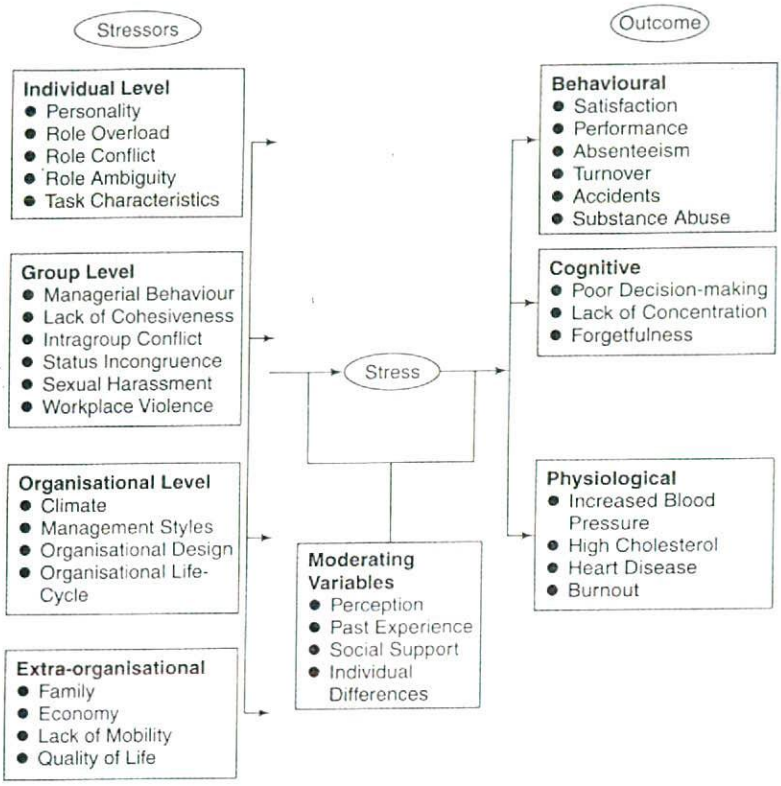


Fig. 20.5 A Model of Occupational Stress

(*Source:* Adapted from Robert Kriefner, et al, *Organisational Behaviour*, p. 530)

Personality Type In respect of personality, two concepts—Type A personality and Type B personality—are relevant in this context.

The **Type A personality** is stress-prone and is associated with the following behavioural patterns :

- Always moves, walks and eats rapidly.
- Feels impatient with the pace of things, hurries others, dislikes waiting.
- Does several things at a time.
- Feels guilty when relaxing.
- Tries to schedule more and more in less and less time.
- Uses nervous gestures such as clenched fist and banging the hand on the table.
- Does not have time to enjoy life.

The **Type B personality**, on the other hand, is less stress-prone. Following are the typical characteristics of Type-B personality:

- Is not concerned about time.
- Is patient.
- Does not brag.

Type 'A' personalities are in a hurry, impatient and fast in whatever they do. These individuals are stress-prone.

Type 'B' are patient, not in a hurry, and relax. These personalities are less stress-prone.

- Plays for fun, not to win.
- Relaxes without feeling guilty.
- Has no pressing deadlines.
- Is mild-mannered.
- Is never in a hurry.

Role Overload Too much work causes stress to an employee. The story of Reddy, stated in the opening case, is illustrative of work overload causing stress. Excess workload has become the norm these days as more and more organisations have reduced their work-force and restructured work, leaving the remaining employees with more tasks and fewer resources of time to complete them.

Role Conflict Role conflict occurs where people face competing demands. There are two types of role conflict in organisations.

Interrole conflict occurs when an employee has two roles that are in conflict with each other. Interrole conflict is common in matrix organisations where subordinates will be shared by matrix bosses. *Personal* conflict occurs when personal values clash with organisational goals. For example, offering bribe to corner an order may help the organisation, but such a practice may conflict with the ethical value of the executive as an individual.

Role Ambiguity Role ambiguity exists when employees are uncertain about their responsibilities, functions, performance expectations and levels of authority. This tends to occur when people enter new situations, such as joining the organisation or taking foreign assignment, because they are uncertain about tasks and social expectations.

Task Characteristics are also individual-level stressors. Tasks are more stressful when they involve decision-making, monitoring equipment or exchanging information with others. Traffic congestion is a major stressor for sales people and bus drivers. And as traffic intensity increases in the future, so will stress levels.

As we go into the future, a 24-hour work model will bring new challenges. An increasing number of professionals will be required to work during night shifts. Adjustment of the body clock to the new routine, health risks and stress-related hazards will be serious issues the HR experts need to face in the coming years. Night shifts result in gastrointestinal disorders and abnormal heart rhythms. There can be chronic gynaecological problems for women (women are now allowed to work overnights). Mental symptoms can be so severe that a stressed nightshift worker can almost be unmanageable. The night shift workers will be more vulnerable to stress for sleeping patterns, emotional problems and family commitments while juggling a varying work timetable, sometimes with little social support.

Group-level Stressors Group level stressors are caused by group dynamics and managerial behaviour. Managers create stress for employees by: **(i)** exhibiting inconsistent behaviours, **(ii)** failing to provide support, **(iii)** showing lack of concern, **(iv)** providing inadequate direction, **(v)** creating a high productivity environment, and **(vi)** focusing on negatives while ignoring good performance.[26]

Sexual harassment is yet another group-level stressor. Sexual harassment refers to unwelcome conduct of a sexual nature that affects the job-related performance of an employee adversely. One example of sexual harassment is the male supervisor threatening to fire a female employee if she fails to accept his sexual advances.

Another serious interpersonal stressor is the rising wave of physical violence and aggression in the workplace. It is estimated that more than 1,000 employees are murdered at work each year in the US. Workplace violence includes assaults, rape and threats of using a weapon.[27]

Organisational Stressors Organisational stressors affect a large number of employees. *Organisational climate* is a prime example. A high pressure environment that places chronic work demands on employees fuels the stress response. In contrast, participative management can reduce organisational-level stressors. Poor lighting, loud noise, improper placement of furniture and a dirty and smelly environment create stress. Managers should monitor these and eliminate them at the earliest.

Organisational structure defines the level of differentiation, the degree of rules and regulations and where decisions are made. Excessive rules and lack of participation in decisions that affect an employee are examples of structural variables that might be potential stressors.

Organisational leadership represents the managerial style of the organisation's senior executives. Some chief executive officers create a culture characterized by tension, fear and anxiety. They establish unrealistic pressures to perform in the short run, impose excessively tight controls and routinely fire employees who fail to measure up to expectations.

Long hours and *high pressure of work* cause stress considerably. The youth in India spend more hours in office compared to their counterparts elsewhere as Table 20.10 shows. Theoretically, companies have systems in place—office timings, alternate Saturdays off—but nothing works in practice. Bigger jobs, fatter pay packets, and skyhigh ambitions are driving the youth to lifestyle diseases like infertility, obesity, cardiovascular problems, diabetes, alcoholism and hypertension. With businesses operating across multiple time zones, working hours have got stretched and workers are feeling pressured to cope with.

Table 20.10 **Number of Hours Spent in the Office Annually by Employees**

City	*No. of Hours*
Mumbai	2205
New Delhi	2121
Shanghai	1969
Tokyo	1954
New York	1869
London	1782

Source: The Economic Times, Feb. 10, 2007

Organisational life cycle Organisations, like human beings, pass through a life cycle. The life cycle of an organisation comprises eight stages: **(i)** birth, **(ii)** growth, **(iii)** policy, **(iv)** procedure, **(v)** theory, **(vi)** religion, **(vii)** ritual, and **(viii)** last rites. In this cycle, the organisation is born and then has its growth. Policies are developed to guide decisions and these are carried out through procedures. These procedures are refined and made more efficient using theories about efficiency. In time, organisations may develop characteristics of a religion, it may worship the way it does things. Performance is by ritual; things are done by habit without questioning. The death and last rites of the organisation will ordinarily follow. Each stage of the life cycle poses its own challenges and problems. While the early stages are exciting, the latter ones create anxiety and tension.

Extraorganisational Stressors Extraorganisational stresses are those caused by factors outside the organisation. For instance, conflicts associated with one's career and family life are stressful.

Home life certainly impacts one's attitudes and performance. Death of a spouse, injury to one's child, war, failure in school or at work, an unplanned pregnancy and similar other events in life can be stressful. Socio-economic status represents a combination of: (i) economic status, as measured by income, (ii) social status assessed by educational level, and (iii) work status, as indexed by occupation. These stressors are likely to become more pronounced in the future.

Outcomes Behavioural scientists are of the opinion that stress has behavioural, cognitive and physiological consequences. Research has proved that stress produces harmful physiological outcomes. Research is now in progress to co-relate stress with work-related behaviours and cognitive outcomes. These studies indicate that stress is negatively related to job satisfaction, organisational commitment and performance, and positively related to turnover.[28]

Stress, when prolonged, results in burnout. A **burntout person** is hypertensive, encounters chronic exhaustion, faces mental depression, and is cynical about everything.

Burnout Burnout is a troublesome outcome of stress. It is desirable to examine burnout in detail. Burnout is a state of mind resulting from prolonged exposure to intense emotional stress. It manifests through emotional exhaustion and a combination of negative attitudes. Table 20.11 draws distinction between stress and burnout.

Table 20.11 **Stress Vs. Burnout**

Stress	*Burnout*
The person feels fatigued	The individual encounters chronic exhaustion.
The person is anxious	The individual is hypertensive.
The person is dissatisfied with his or her job	The individual is bored and cynical about the work.
The person's job commitment has dropped off	The individual's job commitment is virtually nil; he/she is mentally detached from the organisation.
The person feels moody	The individual feels impatient, irritable and unwilling to talk to others.
The person feels guilty	The individual encounters mental depression.
The person is having difficulty in concentrating; he/she tends to forget things	The individual does not seem to know where he/she is; forgetfulness is becoming more frequent.
The person undergoes physiological changes such as increased blood pressure and heartbeat	The individual begins to voice psychosomatic complaints.

Source: Richard M. Hodgetts, *Organisational Behaviour*, p. 345.

Burnout occurs due to prolonged exposure to stress and that too in phases as shown in Fig. 20.6. The three key phases of burnout are emotional exhaustion, depersonalisation and feeling a lack of personal accomplishment. Emotional exhaustion, as shown in Fig. 20.6 is due to a combination of personal, job and organisational stressors. People who expect a lot from themselves and the organisations in which they work tend to create more internal stress which leads to emotional exhaustion. Similarly, emotional exhaustion is fuelled by having too much work to do, by role conflict and by the type of interpersonal interactions encountered at work. Frequent, intense face-to-face interaction that are emotionally charged are associated with higher levels of emotional exhaustion.

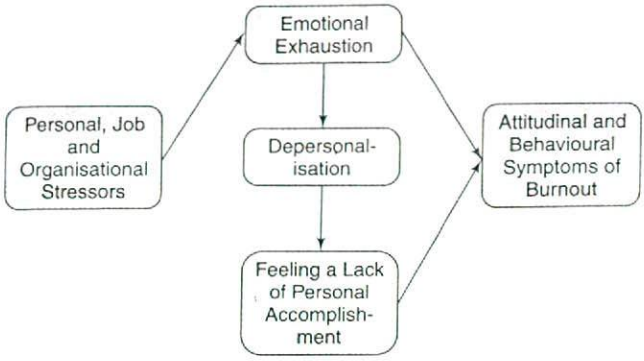


Fig. 20.6 A Model of Burnout

Over time, emotional exhaustion leads to depersonalisation, which is the state of psychologically withdrawing from one's job. This finally results in a feeling of being unappreciated, ineffective, or inadequate. The additive effect of these three phases is a host of negative attitudinal and behavioural outcomes.[29]

Stress Management Stress reduction strategies may be categorised as: **(i)** individual strategies, and **(ii)** organisational strategies.

Individual Strategies The first step in managing stress is to understand that the individual is exposed to stressors. We cannot manage stress unless we know what causes stress and how these causes are affecting us psychologically, physiologically and organisationally. Table 20.12 contains a series of stress indicators. If the employee has any of these signs of stress, he/she needs to adopt coping strategies immediately.

Table 20.12 **Signs of Stress**

Physical signs	*Emotional signs*	*Mental signs*	*Relational signs*	*Spiritual signs*	*Behavioural signs*
Appetite changes	Bad temper	Lacking humour	Isolation	A feeling of emptiness	Pacing
Headaches	Anxiety	Dull senses	Defensive	Apathy	Swearing
Fatigue	Nightmares	Lethargy	Intolerance	Inability to forgive	Substance abuse
Insomnia	Irritability	Boredom	Resentment	Cynicism	Nail biting
Indigestion	Depression	Indecisiveness	Loneliness	Loss of direction	Slumped posture
Cold	Frustration	Forgetfulness	Nagging	Doubt	Restlessness
Weight change	Over sensitivity	Poor concentration	Lower sex drive	Need to prove self	Risk aversion
Teeth grinding	Mood swings	Personality changes	Aggression	Negative outlook	Eating disorders
Tension	Fearfulness	Stuck in past	Abuse	Gloom	Headaches

Source: Suzanne C. de Janasz, et al. *Interpersonal Skills in Organisations*, p. 72.

Individual strategies to cope with stress include muscle relaxation, biofeedback, meditation, cognitive restructuring and time management.

Muscle Relaxation This involves slow and deep breathing, a conscious effort to relieve muscle tension and an altered state of unconsciousness. The technique is inexpensive and may require a trained professional to implement initially.

Biofeedback A biofeedback machine is used to train people to detect and control stress-related symptoms such as tense muscles and increased blood pressure. The machine translates unconscious bodily signs into a recognisable cue (flashing light or beeper). Muscle relaxation and meditative techniques are then used to alleviate the underlying stress.[30]

Meditation Several meditation techniques are used with positive results and a majority of them are derivatives of eastern philosophies. Included in this category are Zen Meditation or Sumran. Perhaps the most widely practised technique everywhere is transcendental meditation (TM) as taught by Maharishi Mahesh Yogi. TM practised for 20 minutes twice daily helps reduce stress significantly.

Cognitive Restructuring Cognitive restructuring involves two steps. First, irrational or maladaptive thought processes that create stress are identified. One such thought is entertaining a premonition that something evil is going to befall on you. The second step consists of replacing these irrational thoughts with more rational or reasonable ones. The fear of evil befalling can be overcome by reasoning and rationalising events and their consequences. Cognitive restructuring would alleviate stress by encouraging a person to adopt a more reasonable belief about the outcomes associated with events.

Time Management Most of us are poor in time management. The result is feelings of work overload, skipped schedules and attendant tension. The truth is, if one can manage time effectively, he/she can accomplish twice as much as the person who is poorly organised. Some basic principles in time management are : **(i)** preparing daily a list of activities to be attended to, **(ii)** prioritising activities by importance and urgency, **(iii)** scheduling activities according to the priorities set, and **(iv)** handling the most demanding parts of a job when one is alert and productive. (Also read Exhibit 20.5.)

Organisational Strategies Besides individuals practising coping strategies, organisations too have been developing and implementing stress-reduction strategies. Some of these programmes focus on a specific issue or problem, such as alcohol or drug abuse, career counselling, job allocation, or burnout. Still other programmes may target a specific group within the organisation, for example, training in relaxation skills.

Exhibit 20.5 ***Taking Time to Manage Time***

One of the major causes of stress for managers comes from time pressures. No matter how fast some managers work and how much time they put in, they are still unable to get all their work done. One of the most effective ways of dealing with this problem is the use of time management technique. Today many organisations are training their managers how to get more done in less time. Some of the most helpful guidelines for effective time management are:

1. Make out a 'to do' list that identifies everything that must be done during the day. This helps keep track of work progress.
2. Delegate as much minor work as possible to subordinates.
3. Determine when you do the best work—morning or afternoon and schedule the most difficult assignments for this time period.
4. Set time aside, preferably at least one hour, during the day when visitors or other interruptions are not permitted.

5. Have the secretary screen all incoming calls in order to turn away those that are minor or do not require your personal attention.
6. Eat lunch in the office one or two days a week in order to save time and give yourself the opportunity to catch up on paperwork.
7. Discourage drop-in visitors by turning your desk so that you do not have eye contact with the door or hallway.
8. Read standing up. The average person reads faster and more accurately when in a less comfortable position.
9. Make telephone calls between 4.30 and 5.00 pm. People tend to keep these conversations brief so that they can go home.
10. Do not feel guilty about those things that have not been accomplished today. Put them on the top of the 'to do' list for tomorrow.

Organisational coping strategies help reduce the harmful effects of stress in three ways: **(i)** identify and then modify or eliminate work stressors, **(ii)** help employees modify their perception and understanding of work stress, and **(iii)** help employees cope more effectively with the consequences of stress.[31] (see Fig. 20.7)

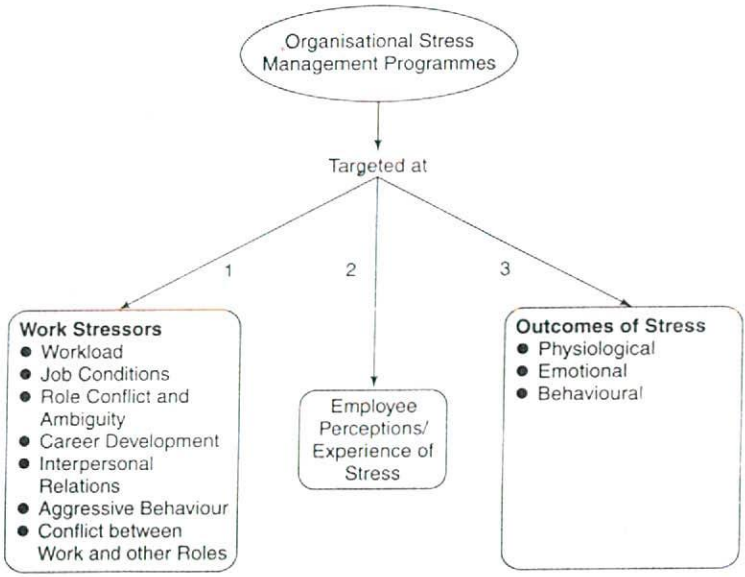


Fig. 20.7 Targets of Organisational Stress Management Programmes

Source: Don Hellriegel, et al, op. cit., p. 212

Organisational strategies aimed at eliminating stress often include—

- Improvements in the physical work environment;
- Job redesign to eliminate stressors;
- Changes in workload and deadlines;
- Structural reorganisation;

- Changes in work schedules, more flexible hours and sabbaticals;
- Management by objectives or other goal-setting programmes;
- Greater levels of employee participation, particularly in planning changes that affect them; and
- Workshops dealing with role clarity and role analysis.[32]

Programmes that promote role clarity and role analysis are of vital importance in removing or reducing role ambiguity and role conflict—the two main sources of stress. While diagnosing stressors in the work place, HR experts should be aware of the fact that uncertainty and perceived lack of control heighten stress. Jobs involving high uncertainty over the outcomes, accompanied by low controlability add to stress. Thus, involvement of employees in organisational change, efforts that will affect them, work redesign that reduces uncertainty, increased control over the pace of work and improved clarity and understanding of roles, all should help reduce work stress.

Programmes of stress management targeted at perceptions and experience of stress and outcomes of stress (see Fig. 20.7 arrows 2 and 3) include:[33]

- team building;
- behaviour modification;
- career counselling and other employee assistance programmes;
- workshops on time management;
- workshops on burnout to help employee understand its nature and symptoms;
- training in relaxation techniques; and
- physical fitness programmes.

Employee assistance programmes and fitness programmes are being increasingly used by firms these days.

Employee Assistance Programmes Originally conceived as alcohol abuse programmes, most current employee assistance programmes (EAPs) are designed to deal with a wide range of stress-related problems, both work and non-work related. EAPs tend to be based on medical approach to treatment and involve the following:[34]

- *Diagnosis:* Employees with a problem ask for help. EAP staff attempt to diagnose the problem.
- *Treatment:* Counselling or supportive therapy is provided. If in-house EAP staff are unable to help, the employee may be referred to appropriate professionals.
- *Screening:* Periodic examination of employees in highly stressful jobs is provided to detect early indicators of problems.
- *Prevention:* Education and persuasion are used to convince employees at high risk that something must be done to assist them in effectively coping with stress.

EAPs may be internal company-run programmes or outsourced. Irrespective of the arrangement, crucial to the success of any EAP is trust. Employees must trust that **(i)** the programme can and will provide real help, **(ii)** confidentiality will be maintained, and **(iii)** use of the programme carries no negative implications for job security or future advancement.[35] If employees do not trust the programme or company management, they will not participate.

Fitness Programmes Fitness programmes, often called Health Promotion Programmes, focus on the employees' overall physical and mental health. Simply stated, any activity an organisation engages in that is designed to identify and assist in preventing or correcting specific health problems, health hazards, or negative health habits fall under fitness programmes. This includes not only disease identification, but lifestyle modification too. Among the most prevalent examples of such programmes are those emphasising hypertension identification and control, smoking cessation, physical fitness and exercise, nutrition and diet control, and work and personal stress management.

Companies also provide gyms, free gourmet food, tennis courts, golf courts, swimming pools, lounges, libraries and the like.

Stress and Performance As stated earlier, stress is negatively related to performance. In other words, higher the stress, lower the performance. Earlier it was believed that moderate levels of stress would energise employees and enhance their performance. This belief is not held to be true now. The assumption valid now is that performance will be disrupted even by relatively low levels of stress. There are valid reasons in support of this assumption. First, even relatively mild stress distracts an employee. Individuals experiencing stress tend to focus on the unpleasant feelings and emotions rather than on the task at hand and as a result their performance suffers. Second, prolonged or repeated exposure even to mild levels of stress may have harmful effects on health and this may interfere with effective performance. Finally, research indicates that as arousal increases task performance may at first rise, but at some point begins to fall. The precise location of this *inflection point* (the point at which the direction of the function reverses) seems to depend on the complexity of the task being performed. The greater the complexity, the lower the levels of arousal at which a downturn in performance occurs.

Stress is negatively related to performance. Higher the risk, lower the performance. At the initial stage, stress may improve performance, but at some point it begins to fall. This point is called inflection point.

There are exceptions to the general rule that stress interferes with performance. Some individuals, for example, are at their best in times of stress. They rise to the occasion and turn in exceptional performance at times. This may result from the fact that they are truly experts in the tasks being performed, making their inflection points very high. People who are exceptionally skilled at a task may cognitively appraise a potentially stressful situation as a challenge rather than a threat. And, as we noted earlier, by not cognitively appraising a situation as a threat, stress reactions are unlikely to occur. Thus, whether stress can disrupt or enhance performance depends on several different factors (for example, complexity of the task being performed, personal characteristics of the individuals involved and their previous experience with the task).

V. Acquired Immune Deficiency Syndrome (AIDS)

The year 1983 goes down in history as the darkest year for it was in this year that scientists discovered a baffling disease called AIDS, also named 'Gray Plague' that has taken a heavy toll of human lives. Across the globe, 2.3 million people died in 1997 because of the dreadful disease. At the beginning of 1998, more than 30 million people, about 0.5 per cent of the earth's population, have been infected with HIV—the AIDS-causing virus. India has 5.1 million HIV infected people.

The African continent is worst hit. In Zimbabwe and Botswana, for example, a quarter of the adult population is infected. Unless there is an unforeseen breakthrough in treatment, all those infected will die from AIDS. As a result, the life expectancy of the average Zimbabwean, having risen steadily until 1990, when it was 56, is likely to fall to only 49 by the end of the century. That of a Botswana will fall steeply.

The virus is also spreading into areas that were previously AIDS free. In some of the former communist countries of Europe, rates of HIV infection have risen several hundred-fold over the past three years. In China, where HIV was until recently confined to the south-west and the coast, every province has now registered people with the virus.

India also has fallen into the vortex. More than five million people have already become victims and the scourge is spreading across the country. (See Figs 20.8 and 20.9)

AIDS is likely to cause considerable confusion and disruption in the workforce. When employees realise that they are working with an infected worker, they demand that the hapless employee should be dismissed. If the management discharges the employee, the law is violated, particularly in the US where individuals who have AIDS are protected by federal, state and local laws. This protection generally comes in the form of protection against discrimination and is based on the fact the virus cannot be spread by casual contact.

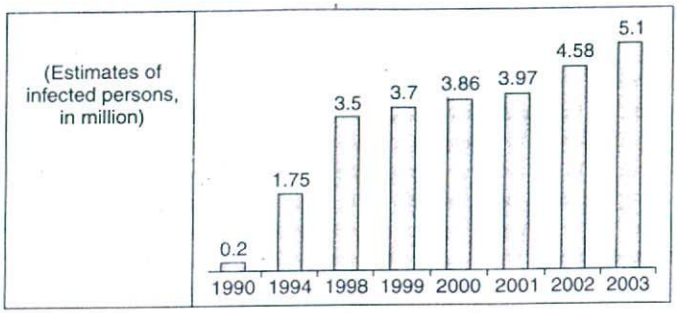


Fig. 20.8 HIV Growth in India

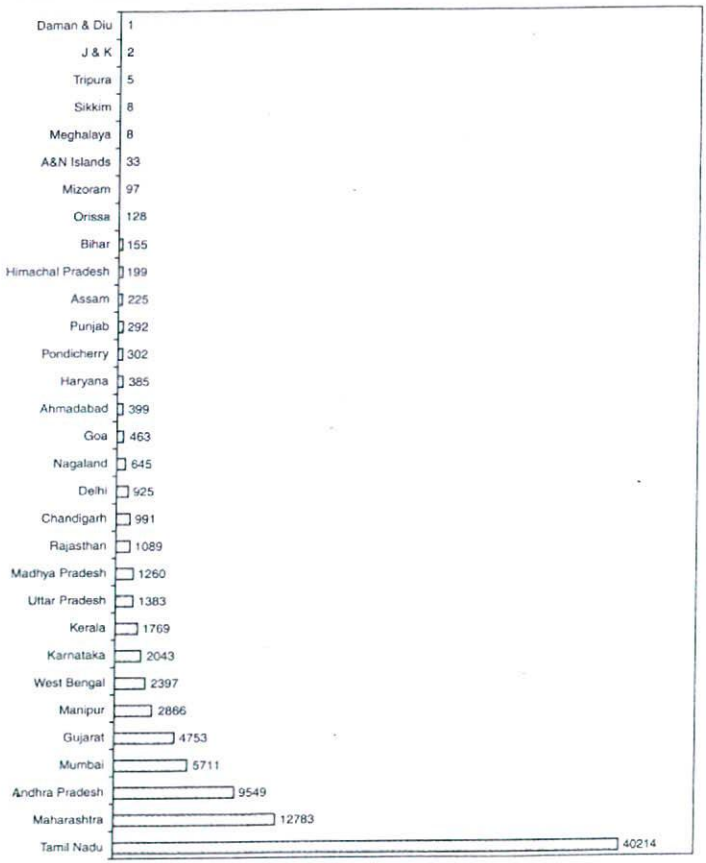


Fig. 20.9 Cases of AIDS in India

Source: Figs 20.8 and 20.9 are based on NACO, Sept. 30, 2004.

Organisations are hard hit by additional costs—direct and indirect—when their employees contact the disease. Direct costs are in the form of increased medical burden. Indirect costs result from loss of productivity when employees refuse to work with an AIDS-infected worker.

Much of the problem relating to AIDS stems from ignorance of people about the disease. They believe that the disease is highly infectious and there is no remedy for the victims. It is the responsibility of the government, and business and non-governmental organisations to create better awareness about the disease in the minds of the people.

The government seems to be content with merely releasing advertisements, advising the public about the need to use AIDS preventive devices. An active government should go beyond this and take measures to control the epidemic. (Exhibit 20.6 shows what an active government can do.)

Exhibit 20.6 ***Senegal's Success Story***

One of the most successful anti-AIDS campaigns waged outside the West has been in Senegal.

Senegal reacted swiftly to the appearance of AIDS, starting its counter-attack in 1986, before the disease could get a grip. The country is predominantly Islamic and residually Catholic, so the government sought to counter potential opposition from religious leaders to the sometimes sexually explicit messages that an anti-AIDS campaign must often broadcast, by seeking their support from the beginning. (It was generally given). Sex education in schools was made universal. The "social marketing" of condoms (i.e. their sale at heavily discounted prices) became widespread. People at particular risk of contracting and transmitting the disease, such as prostitutes and their clients, were made the focus of attention. And the government drove the message home among the group of young, sexually active men over whose lives it had almost complete authority—the army.

A recent survey suggest that the campaign has, indeed, changed the behaviour of Senegal's youth. It has not done so, however, by imposing monogamy on them. According to the survey, 43 per cent of men between 15 and 24 said that they had casual sex in the previous year. So did 15 per cent of women in that age group. But more than 60 per cent of women and 40 per cent of men claimed they had used a condom in their casual encounters—a claim backed up by the fact that condom sales have risen from 8,00,000 to 7 million a year over the past decade. Presumably, as a result, Senegal's rate of HIV infection has remained below 2 per cent, compared with around 13 per cent in nearby Coted'Ivoire.

Credit should go to central government undertakings, particularly HMT and BHEL, for initiating measures to prevent AIDS. Teams of doctors from in-house Occupational Health Services visit plants and give lectures to employees on AIDS prevention. Lectures are held once or twice every year.

ASHA Foundation (Action Service Hope for AIDS) is a Bangalore-based voluntary organisation which is rendering yeoman service in creating awareness of AIDS infection and counselling to HIV-positive persons, their families and the community. There are similar organisations in other cities too.

What is needed most for the employers is to educate workers about AIDS. The following guidelines need to be followed to make the educational programme effective:

1. Employees must be made to understand how AIDS is contacted. Understanding about the ways on contacting AIDS will ensure that the activities do not occur at the workplace.
2. Presentations to employees must be handled by professionals, preferably from experts. This is necessary as the message presented is going to include sexual references which, if not handled properly, are likely to have a negative impact on employees.
3. All employees must attend the sessions.

VI. Alcoholism, Smoking and Drug Abuse

Alcoholism is a serious and widespread disease. It does not strike any particular group—alcoholism can strike employees from the janitor to the general manager.

The effects of alcoholism on the worker and on the work are serious. Both the quality and quantity of work decline sharply. A form of "on-the-job absenteeism" occurs as efficiency declines. An alcoholic worker is more unlikely to observe safety precautions while on the job or off the job. Morale of the other workers is likely to suffer as they are required to do the work of their alcoholic peer.

Organisations employ three techniques to tackle alcoholism in workplaces. First is disciplining alcoholics. Where disciplining fails, the alcoholic is discharged. Second is in-house counselling by the HR department, the company doctor or by immediate supervisor. Finally, companies use outside agencies, psychiatrists and clinics to deal with the problem of alcoholism.

Drug abuse is a recent phenomenon and is a serious one. Drug usage usually falls into one of three categories: Marijuana abuse, prescription drug abuse and hard-drug abuse. Drug abuse is more evident among young employees and is found across all job levels. Employees who are drug addicts are often much more difficult to detect than alcoholics—liquor is easy to smell but not drugs. Besides, it is easy for an addict to pop a pill at lunch or on a break, undetected.

Drug abuse affects job performance. The problem of a drug addict indicates his or her on-the-job behaviour. He or she:

- Is late 3 times as often as fellow employees,
- Requests early dismissal or time off during work 2.2 times as, often,
- Has 2.5 times as many absences of 8 days or more,
- Uses 3 times the normal level of sick benefits,
- Is 5 times as likely to file a worker compensation claim,
- Is involved in accidents 3.6 times as often as other employees, and
- Is one-third less productive than fellow workers.

As a result of the increased use of drugs in the workplace, more and more companies have begun to use some form of drug testing for both job applicants and existing employees. For example, the percentage of Fortune 500 companies routinely using urine lysis on job seekers and employees to detect drug use grew from five per cent in 1983 to almost 33 per cent in 1987.

Drug testing is risky. An employer can be exposed to substantial liability for defamation for making a false accusation of drug use. The following guidelines can help avoid the risk:

1. Testing only applicants/employees whose jobs are considered safety specific or critical.
2. Using only valid measures of drug use.
3. Obtaining valid consent of the applicant or employee and then provide the examinee with the results of the tests.
4. Maintaining strict confidentiality of test results.

Organisations can use the same techniques (recommended to cure alcoholism) to the problem of drug abuse also.

Smoking claims millions of precious human lives across the globe each year. It has been estimated that out of the 600,000 deaths in the UK alone every year, 100,000 are caused by tobacco. The estimated cost associated with smoking in the work place is said to be approximately US $825 per employee per year. Fig. 20.10 shows employers' costs associated with workplace smoking—money that goes up in smoke.

In the past, employers had restricted employees' smoking in order to reduce risks from fire or to comply with hygiene standards. As of now, organisations are exhibiting genuine concern and are initiating steps to check smoking at workplaces. Many of them have adopted no smoking policies and are spreading aware-

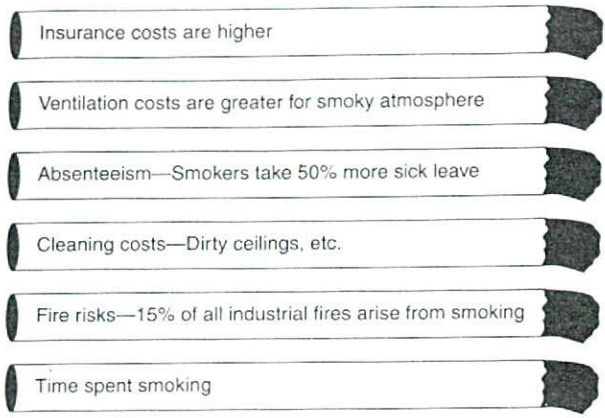


Fig. 20.10 Smoking-related costs

Source: John Bratton and Jeffrey Gold, p. 172.

ness among employees to give up smoking. Some employers offer smoking cessation workshops as part of health promotion efforts. HR professionals should know that anti-smoking initiatives are bound to receive resistance from smokers. Obviously, consultation with employees and their unions is helpful in breaking the resistance and make workplace 'smoke free.'

VII. Violence in the Work Place

Violent incidents at place include fist fights, shooting, stabbing and sexual assaults. Taxi drivers, police officers, retail workers, and night-shift employees are exposed to such risks.

Violence in the work place, once an exception to daily work life, has become common these days. It is said that in the US, an average of 20 workers are murdered and 18,000 workers are assaulted each week. A study, covering 79 Indian firms, found that 71.1 of the executives use foul language, 21% resort to some physical action and 8.1 suffer nervous breakdown. Those who are at high risk are taxi drivers, police officers, retail workers, cashiers at petrol pumps, and people who work alone or at night. Violent incidents include fist fights, shooting, stabbing and sexual assaults (*see* Table 20.13).

Table 20.13 **Workplace Violence—Levels**

A. Moderately Injurious	*B. Highly Injurious*
Property damage, vandalism	Physical attacks and assaults
Sabotage	Psychological trauma
Pushing, fist fights	Anger-related accidents
Major violations of company policy	Rape
Frequent arguments with customers, co-workers or supervisors	Arson
Theft	Murder

Source: Bernardin, *et al.*, *op. cit.*, p. 419.

Violence disrupts productivity, causes untold damage to those exposed, and costs employers millions of rupees. Obviously, organisations should initiate measures to protect employees and physical resources. It is important that companies concentrate on avoiding violence rather than simply dealing with it after it occurs.

? Pause and Ponder

Did you ever have a brawl with a college/superior/elders at home? What made you do so?

The following will help companies avoid falling victims of violence:

1. Hiring with caution. Pre-hire drug testing, detailed questions about previous employment, and criminal record checks can go a long way towards avoiding violence-prone individuals.
2. Develop a plan for preventing violence and for dealing with it when it occurs. Reporting requirements for both violence and threats of violence should be an integral part of the plan. The plan should also be drawn by employee participation and professionals who are experts in areas of violence assessment, counselling and law enforcement.
3. Establish a crisis-management team with the authority to decide and act quickly. This group will evaluate problems, select intervention techniques, and co-ordinate follow-up activities.
4. Train supervisors and managers in how to recognise aggressive behaviour, identify the warning signs of violence, and resolve conflicts. Orient all employees towards assuring a violence free work environment.
5. Provide specific employee-assistance programs designed to help employees with personal problems.
6. Workplace violence can be prevented by employing security measures.

SUMMARY

Thousands of employees die everyday in factories due to accidents. Accidents are partial or total, temporary or permanent. An accident-free plant can save on cost, increase productivity, discharge moral commitment towards workers and comply with legal provisions.

The safety programme of a typical organisation comprises six steps—making strategic choice, development of a safety policy; organisation for safety; analysis of the causes, extent and consequences of accidents; implementation of the programme; and evaluation of the safety performance.

Health is wealth for employees as well as for managers. Realising this, employers provide a large number of health services to their employees. Health protection is a legal requirement too.

Employee health has several dimensions: physical health, mental health, noise control, job stress, alcoholism, AIDS, drug abuse and violence at work place.

KEY TERMS

AIDS
Cost saving
Frequency rate
Industrial accidents
Industrial safety
Incident rate
Job stress
Mental health
Organic measures
Physical health
Risk management
Safety audit
Safety programme
Safety organisation
Safety policy
Safety axioms
Systemic measures

REVIEW QUESTIONS

1. What is employee safety? How is safety disrupted? Explain.
2. Outline the causes for industrial accidents. How can they be avoided?
3. Explain the steps in a safety programme.
4. How is safety performance assessed?
5. Describe the need for and ways of ensuring employee health.
6. Why is work stress caused? How can it be minimised?

DISCUSSION QUESTIONS

1. "The problem of industrial accidents is no less severe in our country." Elucidate.
2. If you were a Chief Executive appointing a safety director, what would you tell him should be his objectives? What would be the order of importance?
3. What, according to you, are the reasons why safety has often not been managed as effectively as some other business functions? What may be done about this?
4. Outline the role of HR specialist in providing a safe and healthy environment for employees.
5. "Employees with poor safety records often have poor written safety policies". Agree or disagree? Discuss.

Closing Case

A Case of Burnout

When Mahesh joined XYZ Bank (private sector) in 1985, he had one clear goal—to prove his mettle. He did prove himself and has been promoted five times since his entry into the bank. Compared to others, his progress has been the fastest. Currently, his job demands that Mahesh should work 10 hours a day with practically no holidays. At least two day in a week, Mahesh is required to travel.

Peers and subordinates at the bank have appreciation for Mahesh. They don't grudge the ascension achieved by Mahesh, though there are some who wish they too had been promoted as well.

The post of General Manager fell vacant. One should work as GM for a couple of years if he were to climb up to the top of the ladder. Mahesh applied for the post along with others in the bank. The Chairman assured Mahesh that the post would be his.

A sudden development took place which almost wrecked Mahesh's chances. The bank has the practice of subjecting all its executives to medical check-up once in a year. The medical reports go straight to the Chairman who would initiate remedials where necessary. Though Mahesh was only 35, he too, was required to undergo the test.

The Chairman of the bank received a copy of Mahesh's physical examination results, along with a note from the doctor. The note explained that Mahesh was seriously overworked, and recommended that he be given an immediate four-week vacation. The doctor also recommended that Mahesh's workload must be reduced and he must take to physical exercise every day. The note warned that if Mahesh did not care for advice, he would be in for heart trouble in another six months.

After reading the doctor's note, the Chairman sat back in his chair, and started brooding over. Three issues were uppermost in his mind—(i) How would Mahesh take this news? (ii) How many others do have similar fitness problems? (iii) Since the environment in the bank helps create the problem, what could he do to alleviate it? The idea of holding a stress-management programme

flashed in his mind and suddenly he instructed his secretary to set up a meeting with the doctor and some key staff members, at the earliest.

Questions

1. If the news is broken to Mahesh, how would he react?
2. If you were giving advice to the Chairman on this matter, what would you recommend?

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CHAPTER 21

Managing Separations and Rightsizing

LEARNING OBJECTIVES

After reading this chapter you should have a good understanding of:

- Types of separations and how to manage them
- Nature, causes and principles of transfers
- Nature, purposes and principles of promotion

Opening Case

PROWLING FOR LABOUR

With a stalled economy, a depressed technology sector, and the continuing economic fallout resulting from the terrorist attacks on September 11, 2001, U.S. companies need all the help they can get. To lower expenses, managers are turning more often to firing employees (also called terminating, downsizing, rightsizing, or getting the pink slip).

A quick review of recent business headlines conveys a bleak picture for workers: "American Airlines Cuts 7,000 Jobs," "United Slashes 9,000 Jobs in Bid for Solvency," "IBM Laid Off 15,600 in Second Quarter." Indeed, almost 1.5 million workers were laid off in 2002 and these layoffs came on top of 1.96 million terminations in 2001. While layoffs slowed in 2003, few companies seemed eager to begin replacing jobs they had eliminated. Industries such as telecommunications and auto production were especially hard hit, with lower-paid workers suffering the most. Surveys also indicated that many firms planned to make additional layoffs, and few planned to increase hiring dramatically.

The job cuts, coupled with higher productivity and better use of automation, have made U.S. firms more efficient. But at what price? The remaining workers, who must learn new tasks and work harder to replace their laid-off colleagues, are prone to stress. Hamilton Beazley, a management consultant, calls such additional duties ghost work. He describes ghost work as challenging for employees, saying, "It can be totally demoralizing and can cripple the individual as well as the organization."

Not surprisingly, most workers are not pleased with having to pick up the slack for laid-off coworkers. Some workers refer to ghost work as speed up because each remaining worker has to work harder, or stretch out because they have to put in longer hours. Land Windham, a labour spokesperson, says, "They call it productivity," referring to management.

Given the shaky job market today, however, most workers are willing to endure the stress and discouragement of ghost work. Computer maker Dell laid off 6,000 of its 40,000 workers in 2001, allowing the firm to cut personal computer (PC) prices and increase sales and profits. A long time employee says, "A lot of us are unhappy, but what are we going to do—go somewhere else?" The danger for employers is that, if the job market improves, many disgruntled workers may do just that.[1]

The problem is not peculiar only to America. It is an issue in India too. Employees will be leaving the organisation for several reasons. Facing sliding market and loss of market share, management resorts to cut the size of employees—euphemistically called rightsizing. It is the HR professional who needs to manage these issues with care. This chapter provides a framework that would help the HR manager manage the issues relating to separations and rightsizing more effectively.

SEPARATIONS

Separation occurs when an employee leaves the organisation. Why do separations occur? Reasons for employee separations may be voluntary or involuntary. In the former, initiation for separation is taken by the employee himself or herself. Where the employer initiates to separate an employee, it becomes involuntary separation. In the latter the employee entertains the feeling of injustice and seeks legal protection to undo it. Figure 21.1 shows both voluntary and involuntary separations.

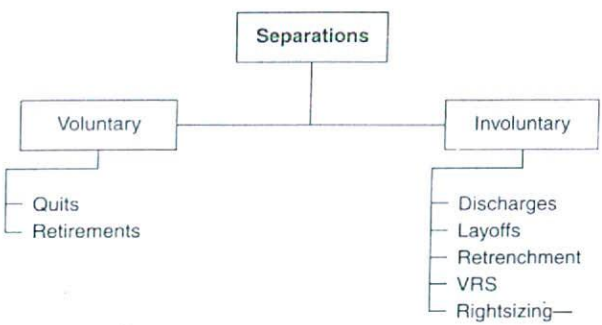


Fig. 21.1 Causes for Separations

Voluntary Separations

As stated above, voluntary separations occur when the employee decides to terminate his or her relationship with the organisation. Quits and retirements are the most manifestations of voluntary separations.

Quits An employee decides to quit when his or her level of dissatisfaction with the present job is high or a more attractive alternative job is awaiting the individual. The reasons for dissatisfaction may be because of the job itself or because of job extrinsic factors such as supervision, company policy, compensation, advancement opportunities, health, spouse relocation and the like.

Thanks to economic boom, jobs are available in plenty. Competent people will get multiple offers at any given time. Some of them stay with the organisation in the name of loyalty or some other commitment. Majority accept the more attractive offers and prefer to leave the company.

Organisations often encourage quits through cash incentives. Popularly called voluntary retirement schemes (VRS), these separations are resorted to when organisation are experiencing losses. They resort to cost saving to save the bottomline and believe that the best way of cutting down the cost is through reducing the

wage and salary bill. As VRSs are induced by the managements, we prefer to discuss them under involuntary separations category.

Retirements Retirements occur when employees reach the end of their careers. The age for an employee's superannuation differs. In some States it is 58 years and in Central Government it is 60. There is a thinking to raise the limit to 60 and 62 respectively as there is shortage of skilled people to fill up the vacant jobs.

Retirement differs from quits. When the employee superannuates and leave the organisation, he or she carries several benefits with himself or herself. Such a privilege is denied to the employee who quits. Second, retirement occurs at the end of an employee's career but the quit can take place at any time. Third, superannuation shall not leave any soured relationship behind the retiree but a quit is likely to result in hurt feelings with the employer.

? Pause and Ponder

Which separations—voluntary or involuntary—lead to high attrition rates?

Involuntary Separations

Employers resort to terminate employment contract with employees for atleast three reasons: (i) organisation is passing through lean period and is unable to maintain the existing labour, (ii) initial faulty hiring resulting in mismatch between job and employee fit, and (iii) employee exhibits deviant behaviour vitiating the environment around.

Discharges, layoffs, VRS and rightsizing are the common methods of employer sponsored separations.

Discharges A discharge takes place when the employer discovers that it is no more desirable to keep an employee any longer. Discharge, also called termination, should be avoided as far as possible. Any termination is a reflection on the company's HR system. In addition, termination is expensive as the firm must seek replacement, hire and train the new hiree. Finally, a discharged individual is likely to badmouth about the company. Obviously, discharge needs to be viewed as a last resort.

Layoffs A layoff is a temporary separation of the employee at the instance of the employer. Section 2 (kkk) of the Industrial Disputes Act, 1947, defines lay-off as the failure, refusal or inability of an employer to give employment to a worker whose name is present on the rolls but who has not been retrenched. A lay-off may be for a definite period on the expiry of which the employee will by recalled by the employer for duty. It may extend to any length of time, with the result the employer is unable to estimate when he or she can recall his or her employees.

A lay-off may be occasioned by one of the following reasons:

1. Shortage of coal, power or raw materials.
2. Accumulation of stocks.
3. Breakdown of machinery.
4. For any other reason.

As the employees are laid off at the instance of the employer, they have to be paid compensation for the period they are laid off. Section 25 of the Industrial Disputes Act, 1947, makes it mandatory on the part of the employer to pay compensation for all the days of the lay-off. The compensation must be equal to half the normal wages the employee would have earned if he or she had not been laid off.

When a part of a section or department is laid off, the management shall define the basis for laying off individuals. The basis for the lay-off may be merit or seniority. If merit is the basis, employees with unsatisfactory performance are laid off first. Performance appraisal is essential for the purpose of

establishing who is efficient and who is below expectations. Competence as the basis for lay-off is not possible in unionised companies because of the outright resistance offered by union leaders. In such companies, seniority determines who should be laid off first. It goes without saying that the employees with the shortest period of service to their credit are first laid off and the older employees are retained as long as conditions permit.

Similarly, the basis for recalling the employees as soon as the lay-off is lifted needs to be made clear. After the lay-off, the management seeks to return to normal production as quickly as possibly. Naturally, key employees must be the first to be recalled. The seniority system usually specifies that those who were laid off last will be called back first. Presumably, the more senior workers will have held the more important positions. This correlation is not always a perfect one however, and the management may seek to recall junior employees whose skills are essential for the resumption of production.[2]

Resignation

A resignation refers to the termination of employment at the instance of the employee. An employee resigns when he or she secures a better job elsewhere, in the case of a female employee, when she marries and had to quit for personal reasons, or when an employee suffers from ill health. The administration of separation caused by resignation is very simple because the employee himself/herself is responsible for it.

Dismissal or Discharge

Where the termination of employment is initiated by the employer, it is known as dismissal or discharge, which is a drastic step and should be taken after careful thought. A dismissal needs to be supported by just and sufficient reasons.

The following reasons lead to the dismissal of an employee:

1. Excessive absenteeism.
2. Serious misconduct.
3. False statement of qualification at the time of employment.
4. Theft of company's property.

Dismissal shall be the last step and may be resorted to after all the efforts in salvaging the employee have failed.

Retrenchment

Retrenchment, too, results in the separation of an employee from his/her employer. It refers to the termination of the services of employees because of the replacement of labour by machines or the closure of a department due to continuing lack of demand for the products manufactured in that particular department of the organisation. If the plant itself is closed, as was once done by the proprietors of the Binny Mills, Madras, the management and employees have to leave for good.

Retrenchment, like lay-off, entitles the employees to compensation which, in terms of Section 25(f) of the Industrial Disputes Act, 1947, is equivalent to fifteen days' average pay for every completed year of continuous service.

However, retrenchment differs from lay-off in that, in the latter, the employee continues to be in the employment of the organisation and is sure to be recalled after the end of the period of lay-off. But in retrenchment the employee is sent home for good, and his or her connections with the company are severed immediately.

Retrenchment differs from dismissal as well. An employee is dismissed because of his or her own fault. Retrenchment, on the other hand, is forced on both the employer and his employees. Moreover,

retrenchment involves the termination of the services of several employees. But dismissal generally involves the termination of the services of one or two employees.

Voluntary Retirement Scheme

Voluntary retirement scheme (VRS) is yet another type of separation. Beginning in the early 1980s, companies both in public and private sector, have been sending home surplus labour for good, not strictly by retrenchment, but by a novel scheme called the VRS, euphemistically called the Golden Hand Shake plan. Handsome compensations are paid to those workers who opt to leave. For example, in Hindustan Lever, the VRS consisted of:

- A lumpsum payment equal to 2.25 times the July 1992 salary multiplied by the remaining years of service (subsequently reduced to 15 years of service).
- Pension equal to 70 per cent of the July 1992 salary payable till the age of 60 (the company's retirement age).
- Prizes such as computers, trucks, houses, and so forth (99 in all) to be decided on the basis of a lucky draw.

Managements prefer to pay hefty sums and reduce staff strength than retaining surplus labour and continuing to pay them idle wages. Further, VRS is perceived as a painless and time-saving method of trimming staff strength, easing out unproductive older workers and other deadwood. Unions, too, cannot object as the schemes are voluntary.

VRS also results in separation of employee from employer. VRS is resorted to where organisations have surplus labour. Firms will be required to pay wages for idle time if VRS is not invoked to trim the surplus labour-force.

The response to VRS has been a mixed one. The scheme received good response from some companies, GKW, Bangalore, being one such. The company trimmed its staff strength from 1500 to 500. Hindustan Ciba Geigy's VRS, too was a resounding success. At its Bhandup factory, the entire workforce of 909 workers opted for the scheme, allowing the company to wind up the loss-making unit. Similarly, 19 per cent of the workforce of Glaxo India or little over 460 workers accepted the company's VRS during October 1994—about 660 workers were eligible for the VRS.

TISCO had earmarked Rs.100 crore for its VRS during 1997. The company had decided to cut its staff to 55,000 from the existing 68,000 in five years to improve efficiency. It is stated that the steel major has managed to reduce its staff strength to 68,000 from 75,000 in the last four years by way of golden handshake.

Siemens India had announced a VRS in 1997 for its entire workforce, including senior employees. Siemens hoped to shed 1,400 employees, a massive 20 per cent in its 7,100 strong workforce. The offer was open to all employees who had put in at least 10 years of service and had reached 40 years of age. Those accepting VRS would be eligible for a single packet amounting to 30 per cent of their last drawn salary, depending on their years of service left till retirement, multiplied by the number of years left till retirement. The company expects the value addition per employee would go up by 20 to 30 per cent.

The scheme was a total failure in HUL, attractive compensation plan notwithstanding. At the Sewri factory, the management wanted to send away 500 workers but only nine opted for the scheme.

The response from the 73,000 strong nationwide workforce of BHEL to the VRS was lukewarm. Only 1200 employees opted out till 1991 (the scheme was introduced in 1988) when it was withdrawn after spending Rs.12 crore. Table 21.1 gives the number of workers who left under VRS from the National Textile Corporation (NTC). The scheme was not successful in NTC, considering its total workforce and the labour productivity (also read Exhibit 21.1).

Table 21.1 **VRS in NTC**

State	Number of Workers Retired under VRS			
	1992–93	*1993–94*	*1994–95*	*Total (Upto April 1995)*
Andhra Pradesh	735	260	62	1,057
Karnataka	558	347	166	1,071
Mahe	38	—	—	38
Delhi	324	196	85	605
Punjab	189	44	3	236
Rajasthan	710	291	163	1,164
Gujarat	5,318	1,229	628	7,175
Maharashtra	6,551	3,077	1,328	10,901
Madhya Pradesh	3,396	740	137	4,281
Tamilnadu	83	41	127	251
Pondicherry	60	—	38	98
Uttar Pradesh	4,021	1,292	590	5,903
West Bengal	2,013	165	321	2,499
Assam	47	—	6	53
Bihar	335	6	39	380
Orissa	—	—	4	4
Total	24,378	7,641	3,647	35,716

Source: The Hindu, April 9, 1995.

Exhibit 21.1 ***VRS at SAIL***

Sail is probably the most successful company in implementing the VRS. It shed over 18,000 workers between 1986 and 1987. What steps did the steel major take?

Step 1 Set minimum age limits for eligibility at any level. Age limits set were as follows:

Level	*Pay Scale Rs.*	*Minimum Age (Yrs)*
Junior secretarial staff	1,425 to 3,000	43
Unskilled labour	2,100 to 3,339	40
Skilled labour	2,390 to 4,429	43
Junior management	4,000 to 9,600	46
Middle senior management	7,500 to 13,500	50

Step 2 Zero in on workers and managers whose services could be dispensed with. Line managers were empowered to identify VRS candidates.

Step 3 Win over the unions. The company secured the co-operation of unions by convincing them that the alternative to VRS was closure of the plants.

Step 4 Work out an attractive compensation plan. SAIL built an excellent package that was grabbed by the VRS candidates.

Step 5 Motivating the line managers was that last step: SAIL made the personnel managers fan out across the country, convincing the managers that a reduced workforce meant higher productivity.

The experience of organisations from VRS has not been pleasant. Organisations have lost competent people while incompetent employees have not opted for the golden hand shake scheme.

Rightsizing

Rightsizing theoretically means reducing the size of workforce or increasing it to maintain the employee strength at the most desired level. In reality, rightsizing means downsizing the employee strength through planned elimination of jobs. A record of sort was created by GE when it released 104,000 of its 402,000 of its workers during 1980s.

Downsizing is not a involuntary separation method by itself. Infact, to downsize employee strength firms need to adopt other methods. But because of its off repeated focus in corporate circles (a couples of years ago), we choose to discuss rightsizing as an involuntary method of separation.

Downsizing is triggered by atleast three factors: (i) the company's bottom line is threatened, (ii) technological advancement renders people redundant, and (iii) organisational restructuring.

Downsizing, though claimed as a desirable corporate strategy, creates more problems than it can solve. One of the biggest problems is employee morale. Downsizing creates not a ripple but a tidalwave throughout the organisation. The surviving employees experience trauma—they have lost identity, colleagues, security, power and control. Moreover, the economic benefits expected by the organisation often fail to materialise. As a proof of this, the study conducted by the Americal Management Association during 1990s is worth recollecting. About half of the responding firms reported an increase in operating profits a year or more after downsizing. Only 34 per cent achieved increased productivity and over 30 per cent experienced decreased productivity. A staggering 86 per cent experienced diminished employee morale. Only 61 per cent achieved cost reduction.

Downsizing has its ripple effect on family and children. Children perceive a great fall and spouse experiences utter helplessness, particularly when the discharged employee was the main prop for the family.

Downsizing should be handled carefully because of its negative impact. Figure 21.2 comprises guidelines for effective handling of downsizing.

- Consider the human element
- Make "who goes and who stays" decisions judiciously
- Delay any pay hikes
- Freeze hiring
- Restrict overtime
- Retrain or redeploy employees
- Engage part-time employees
- Switch to job-sharing
- Resort to across-the-board pay cuts
- Implement early retirement programmes
- Attend to morale of serving employees.

Fig. 21.2 Guidelines to Manage Downsizing

Managing Separations

Separations of whatever the type, may be functional or dysfunctional. On the functional side, organisations become trimmer and leaner, there is saving in the wage and salary bill, and new entrants, hired to fill the vacant jobs bring new ideas and experience along with them. Turnover (read Chapter 26 for details on turnover) can also help infuse greater diversity in the workforce.

On the negative side, turnover as stated earlier, disrupts employee morale and instead of causing to the reduction in cost, may add to the cost. Costs of turnover include retirement costs and hiring and training costs. One technology company calculated its separations cost to average $200,000 per employee. Merck and Company, the US Pharmaceutical giant, has estimated that its separations costs are between 150 per cent and 250 per cent of the employee's annual salary. Sears, Roebuck estimated that separations among its staff amounted to $110 million which constituted 17 per cent of its operating income.[3]

It is precisely for these reasons particularly for their dysfunctional consequences, turnover should be managed with circumspection. Good news is that both voluntary and involuntary separations can be managed strategically to allow the organisation to maximise the benefits of turnover and minimise the cost incurred in the process. Figure 21.3 presents a Performance-Replaceability Strategy Matrix.[4] This model seeks to help manage turnover with less pain and more pleasure.

PERFORMANCE	REPLACEABILITY: Difficult	REPLACEABILITY: Easy
High	High performers—difficult to replace Highly Dysfunctional Turnover Retain/invest in employee: develop backups	High performers—easy to replace Dysfunctional Turnover Retain/invest in employee
Average	Average performers—difficult to replace Dysfunctional Turnover Retain/provide performance incentives: develop backup	Average performers—easy to replace Dysfunctional Turnover if Replacement Costs are High Retain/provide performance incentives
Low	Poor performers—difficult to replace Sort-Term Dysfunctional/Long-Term Functional Turnover Improve performance or terminate: develop backup	Poor performers—easy to replace Functional Turnover Improve performance or terminate

Fig. 21.3 The Performance-Replaceability Strategy Matrix

(Source: Jeffrey A.Mello, *op.cit.*, p.378)

As stated earlier, turnover can be beneficial (functional) or problematic (dysfunctional). Whether turnover is beneficial or problematic depends on two factors: employee's performance and the ease with which he or she can be replaced, otherwise called replaceability.

In Fig. 21.3, based on the two variables, viz., performance and replaceability, six cells are being constructed. Each cell is then classified as resulting in beneficial or problematic turnover, and appropriate strategies for managing employees who fit into each of the cells are offered.[5] Obviously, more dysfunctional the turnover, the greater the attention that will be required by management to retain the employee. Retention strategies for such employees might involve additional career development opportunities, incentives linked to high performance, or custom made to meet the needs of the employees. Backups should also be developed by the organisation for any employee who is difficult to replace. Similarly, where the employee performance is low and it is easy to replace him or her, the individual can be terminated. In fact, such turnover is functional to the organisation.

Ideally, the strategy for managing turnover involves retaining high performers through innovative reward schemes while engaging in human resource planning to ensure that as few employees as possible occupy positions that will make them difficult to replace.

HORIZONTAL MOVEMENT OF EMPLOYEES

Horizontal or lateral movement of employees is common in organisations. Popularly called transfers, such movement of employees takes place for valid reasons. Nevertheless, HR manager needs to handle transfers with caution.

A transfer involves a change in the jobs (accompanied by a change in the place of the job) of an employee without a change in responsibilities or remuneration.[6]

Reasons for Transfers The reasons for transfers vary from organisation to organisation, and from individual to individual within an organisation. Broadly speaking, the following are the reasons for transfers:

1. There is a shortage of employees in one department or plant because of a heavy demand which necessitates an increase in the number of shifts or expansion of production capacity. In another department or plant of the same organisation, employees may be surplus because of slackened demand for the products manufactured by that department. If the demand is undisturbed, increased mechanisation may render some employees redundant. Workers are transferred from the surplus department to another department or plant where there is a shortage of staff.
2. Removal of the incompatibilities between the worker and his or her boss and between one worker and another worker.
3. Correction of faulty initial placement of an employee.
4. A change has taken place in the interests and capacities of an individual, necessitating his or her transfer to a different job.
5. Over a period of time, the productivity of an employee may decline because of the monotony of his or her job. To break this monotony, the employee is transferred.
6. The climate may be unsatisfactory for an employee's health. He or she may request a transfer to a different place where his or her health will not be affected by its climate.
7. Family related issues cause transfers, specially among female employees. When they get married, the females want to join their spouses, and this fact necessitates transfers or resignations.

Principles of Transfers

The HR managers must frame a policy on transfers and apply it to all the transfers instead of treating each case on its own merits. Such a policy must be based on the following principles:

1. The frequency of transfers and the minimum period between transfers need to be decided upon and made known to all the employees. Defence personnel and government employees, for example, are subjected to transfer once in three years. The employees in these establishments know when they are due for a transfer and are prepared for it.
2. The authority which would handle transfers is to be decided upon. The usual practice is that transfers in each department are handled by the person in charge of that department. The best course is to centralise the authority handling transfers, and make the HR professional responsible for them.
3. The criteria for entertaining transfers need to be laid down and strictly adhered to.
4. The area of the organisation over which transfers can be made need to be defined.

5. The effect of the transfer on the pay and seniority of the transferred employee may be clearly evaluated.
6. Transfers should be clearly defined as permanent or temporary.
7. The performance of the employee needs to be assessed before transferring him or her to a different job. Similarly, the job itself must be properly described. Job description and employee assessment enable the management to know whether the individual fits the new job or whether he or she needs training before taking up the new assignment.
8. The interests of the organisation are not be forgotten in framing a policy of transfers.

Types of Transfer Broadly speaking, transfers may be classified into three types:

1. Those designed to enhance training and development.
2. Those making possible adjustment to varying volumes of work within the firm.
3. Those designed to remedy the problem of poor placement.

Specifically, transfers may be production, replacement, versatility, shift and remedial.

(i) Production Transfers As mentioned earlier, a shortage or surplus of the labour force is common in different departments in a plant or several plants in an organisation. Surplus employees in a department have to be laid off, unless they are transferred to another department. Transfers effected to avoid such imminent lay-offs are called production transfers.

(ii) Replacement Transfers Replacement transfers, too, are intended to avoid imminent lay-offs, particularly, of senior employees. A junior employee may be replaced by a senior employee to avoid laying off the latter. A replacement transfer programme is used when all the operations are declining, and is designed to retain long-service employees as long as possible.

(iii) Versatility Transfers Versatility transfers are effected to make employees versatile and competent in more than one skill. Clerical employees in banks, for example, are transferred from one section to another over a period of time so that they may acquire the necessary skills to attend to the various activities of the bank. Versatile operations are valuable assets during rush periods and periods when work is dull. Versatile transfers may be used as a preparation for production or replacement transfers.

(iv) Shift Transfers Generally speaking, industrial establishments operate more than one shift. Transfers between shifts are common, such transfers being made mostly on a rotation basis. Transfers may also be effected on special requests from employees. Some request a transfer to the second shift or the night shift in order to avail the free time during the day to take up part time jobs, although this is not permitted by law.

(v) Remedial Transfers Remedial transfers are effected at the request of employees and are, therefore, called personal transfers. Remedial transfers take place because the initial placement of an employee may have been faulty or the worker may not get along with his or her supervisor or with other workers in the department. He or she may be getting too old to continue in his or her regular job, or the type of job or working conditions may not be well-adapted to his or her present health or accident record. If the job is repetitive, the worker may stagnate and would benefit by transfer to a different kind of work.

UPWARD MOVEMENT OF EMPLOYEES

Like transfers, upward management of employees (called promotion) too is common in organisations.

Promotion means an improvement in pay, prestige, position and responsibilities of an employee within his/her organisation. A mere shifting of an employee to a different job which has better working hours, better location and more pleasant working conditions does not amount to promotion. The new job is a promotion for the employee only when it carries increased responsibilities and enhanced pay.

Issues relating to employee promotion often figure in the negotiations between employers and union leaders. But promotional matters rarely lead to a major confrontation between them.*

Purposes of Promotion

The purposes of promotion may be outlined as follows:

1. To motivate employees to higher productivity.
2. To attract and retain the services of qualified and competent people.
3. To recognise and reward the efficiency of an employee.
4. To increase the effectiveness of the employee and of the organisation.
5. To fill up higher vacancies from within the organisation.
6. To build loyalty, morale and a sense of belongingness in the employee.
7. To impress upon others that opportunities are available to them too in the organisation, if they perform well.[7]

A promotion represents the ultimate accomplishment for some employees. Many achieve it through hard work and good performance. A few follow short cuts to achieve the desired goal. Instead of trying to deserve a promotion through better performance, they believe in staying close to the boss. Cynics may say that the easy way of climbing up the ladder of hierarchy is to belong to the community of the boss, marry into his/her family, or at least come from the same region as he/she does.

For some employees, a promotion is not worth trying for. In fact, some refuse to be promoted on the ground that, once promoted, they lose the benefits of overtime and profit-sharing bonus, and become liable to transfer. Besides, there are three main classes of persons to whom a promotion is likely to be, in effect, a psychological disadvantage. First, people who have already achieved a modest rise in status and income, and achieved it painfully, may often feel that it is better to settle for what they already have, than to struggle further. Second, there are some people who cannot easily tolerate the alienation that promotion often produces with former peers who suddenly turn into subordinates. Third, there are those who may wish for a promotion, if it could be had on the same terms as everyone else who gets it, but consider it so unlikely to occur or so difficult to handle if it did occur on terms that he/she does not fancy for.[8]

Principles of Promotion

Promotion is a double-edged weapon. If handled carefully, it contributes to employee satisfaction and motivation. If mishandled, it leads to discontentment, frustration, skepticism and bickering among the employees, and culminates in a high rate of turnover. It is the responsibility of the HR manager to lay down a sound promotional policy and ensure its implementation. The policy of promotion should be clear on the following matter:

(i) The HRM must make it clear whether to fill up higher positions by internal promotions or recruit people from outside. Generally speaking, top positions in an organisation are filled through external recruitment. The lower positions, however, are filled up by promotions from within.

(ii) When it has been decided to fill up higher positions with promotions, a further decision on determining the basis of promotion should be made by the HRM. The basis of promotion may be seniority or merit or both.

If seniority is the basis for promotion, an employee with the longest period of service will get promoted, irrespective of whether he or she is competent to occupy a higher post or not. This is the

*Out of several industrial establishments located in and around Bangalore, only the employees of the Indian Telephone Industries (ITI) struck work for four days in 1979 on promotion issue. The erstwhile Remco (presently BHEL, Electronics Division) employees also stopped work for one day on the same issue.

practice followed in unionised industrial establishments, government-owned undertakings and educational institutions. A promotion on the basis of seniority has merits and demerits.

The merits are:

1. It is easy to administer.
2. There is less scope for subjectivity or arbitrariness in fixing seniority.
3. Labour unions welcome seniority-based promotions.
4. Seniority and experience go hand in hand and, therefore, it is right and proper to make promotions on this basis.
5. Subordinates are more willing to work under an older boss who has given many years of service to the company.
6. Loyalty is rewarded.

The demerits are:

1. Seniority is no indication of competence.
2. Inspite of judicial pronouncement, there is no single criterion for fixing the seniority of an employee.
3. Young and competent people get frustrated and night leave the organisation.

If competence is the basis for promotion, an employee whose performance is the best, as revealed by performance appraisal, is promoted. He or she beats all the others by his or her merit and is rewarded, just as an athlete is rewarded when he or she touches the tape first in a 100 metre dash. Such a promotion has its own charm because it is won by hard work and dedication.

The merits of promotion by competence are:

1. Efficiency is encouraged, recognised and rewarded.
2. Competent people are retained because better prospects are open to them.
3. Productivity increases.

The disadvantages of promotion by merit are:

1. Discontentment among senior employees.
2. Scope for favouritism.
3. Loyalty and length of service are not rewarded.
4. Opposition from union leaders.

Hence it is obvious that seniority and merit as the bases of promotion have their own merits and demerits. Of the two, competence is the better basis because it rewards those who deserve it, unlike seniority which results in the promotion of a senior employee whose only qualification, often, is that he or she joined the organisation earlier than the others.

In non-unionised companies, promotions are made on the basis of merit because the managements of such companies are free from union pressures. Even in unionised organisations, merit is the basis for the promotion of non-productive employees. Seniority for promotion should be considered only when there are more than one aspirant of equal merit.

(iii) Another point to be made clear about the policy of promotion is whether to promote employees against vacancies or non-vacancies. In many organisations, employees are promoted on a non-vacancy basis after they complete a minimum period of service. Such promotions are time-bound and not based on vacancies or merit. Time-bound promotions were first made for the day-rated employees of the BEL, Bangalore. The practice was later followed by all the other government undertakings in the city.

The other practice is to link promotions to vacancies. In many establishments, the administrative staff are promoted against vacancies. Sometimes, these vacancies are created to avoid frustration among the aspirants for promotion.

(iv) Frequent promotions are inadvisable from the point of view of the employer and the employees. To the employer, frequent promotions mean a higher wage and salary bill, and a temporary instability in the organisation. Frequent changes in the assignments of individuals make them stagnate in their jobs and their responses to change get stilted and the initiative that they take to keep themselves abreast of new developments diminishes over the years. In addition, the supervisors begin to depend on the old timers to carry on the tasks repeated over the years, and any change in their job assignments are resisted not merely by the individuals but also often by the supervisors.[9] It is, therefore, necessary to limit promotions to desirable levels.

(v) A promotion should be preceded by a job analysis, and performance appraisal. A job analysis is essential to know what the job demands from its incumbent. Employee assessment, on the other hand, enables the management to know whether the employee in question can match the requirements of the job.

(vi) The promotion policy should be discussed with labour unions, and their acceptance should be obtained in the form of an agreement. Unlike in the past, promotions are on longer the prerogative of the management. To make a promotion scheme successful, the workers' acceptance and co-operation are as necessary as the intention of the management.

(vii) When promotions are made on the basis of competence, openings for promotion should be displayed prominently at several places to enable interested people to apply.

SUMMARY

HR managers face additional responsibilities as they are required to handle separations caused by employers often and by employees too often. Where employees themselves severe relationships with the organisations, such withdrawals are called voluntary. Separations become involuntary when employees terminate services of their employees.

Quits and retirements are at the instance of employees. Terminations, layoffs, retrenchments, VRS and rightsizing are caused by employers. All these separations, particularly, the rightsizing, need to be handled with caution by the HR manager.

Transfers and promotions should be based on certain principles. The principles along with causes for transfers are outlined in the chapter. Movements of people cause attrition which has become a major concern for the HR professional.

KEY TERMS

Separations
Voluntary separations
Involuntary separations
Discharges
Layoffs
Quits
Transfers
Promotions
VRS

REVIEW QUESTIONS

1. What do you understand by separations? Explain the different types of separations.
2. What are transfers? What are the types of transfers?
3. Bring out the principles of transfers.
4. What do you understand by the term promotion? Bring out bases for promotion.

DISCUSSION QUESTIONS

1. "Rightsizing is not a ripple but a tidal wave." Elaborate.
2. Bring out the effectiveness of VRS in trimming an organisation's employee strength.
3. Why has VRS evoked mixed response everywhere?

Closing Case

Rise and Fall

Jagannath (Jaggu to his friends) is an over ambitious young man. For him ends justify means.

With a diploma in engineering. Jaggu joined, in 1977, a Bangalore-based company as a Technical Assistant. He got himself enrolled as a student in an evening college and obtained his degree in engineering in 1982. Recognising his improved qualification, Jaggu was promoted as Engineer-Sales in 1984.

Jaggu excelled himself in the new role and became the blue-eyed boy of the management. Promotions came to him in quick succession. He was made Manager-Sales in 1986 and Senior Manager-Marketing in 1988.

Jaggu did not forget his academic pursuits. After being promoted as Engineer-Sales, he joined an MBA (part-time) programme. After completing MBA, Jaggu became a Ph.D. scholar and obtained his doctoral degree in 1989.

Functioning as Senior Manager-Marketing, Jaggu eyed on things beyond his jurisdiction. He started complaining against Suresh—the Section Head and Prahalad the Unit Chief (both production) with Ravi, the EVP (Executive-Vice President). The complaints included delay in executing orders, poor quality and customer rejections. Most of the complaints were concocted.

Ravi was convinced and requested Jaggu to head the production section so that things could be straightened up there. Jaggu became the Section head and Suresh was shifted to sales.

Jaggu started spreading his wings. He prevailed upon Ravi and got sales and quality under his control, in addition to production. Suresh, an equal in status, was now subordinated to Jaggu. Success had gone to Jaggu's head. He had everything going in his favour—position, power, money, and qualification. He divided workers and used them as pawns. He ignored Prahalad and established direct link with Ravi. Unable to bear the humiliation, Prahalad quit the company. Jaggu was promoted as General Manager. He became a megalomaniac.

Things had to end at some point. It happened in Jaggu's life too. There were complaints against him. He had inducted his brother-in-law, Ganesh, as an engineer. Ganesh was by nature corrupt. He stole copper worth Rs.5 lakh and was suspended. Jaggu tried to defend Ganesh but failed in his effort. Corruption charges were also levelled against Jaggu who was reported to have made nearly Rs.20 lakh for himself.

On the new-year day of 1993, Jaggu was reverted to his old position—sales. Suresh was promoted and was asked to head production. Roles got reversed. Suresh became boss to Jaggu.

Unable to swallow the insult, Jaggu put in his papers.

From 1977 to 1993, Jaggu's career graph had a steep rise and a sudden fall. Whether there would be another hump in the curve is a big question.

Questions

1. Bring out the principles of promotion that were employed in promoting Jaggu.
2. What would you do if you were (i) Suresh, (ii) Prahalad or (iii) Ravi?
3. Bring out the ethical issues involved in Jaggu's behaviour.

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SECTION 6

List of Chapters

22. Industrial Relations
23. Trade Unions
24. Resolving Disputes

CHAPTER 22

Industrial Relations

LEARNING OBJECTIVES

After reading this chapter you should have a good understanding of:

- The nature of industrial relations and the need for peaceful employer and employee relations
- The different approaches to industrial relations
- The stakes of each of the parties in industrial relations
- A proactive strategy to industrial relations

If there is one issue on which managers spend sleepless nights, it is competition. Competition is heating up day by day and captains of industry are devising new strategies to face it. The surest way of facing the competition is to improve productivity. Productivity itself can best be improved through industrial relations. Reliance's sprawling Hazira petrochemicals complex was in the news for its high productivity. This was the result of the better relations that the managers enjoyed with their employees. The management also concluded a new wage agreement later with the workers' representatives within two hours! On May 19, 2004, Tata Steel completed 75 years of industrial harmony and this fact has contributed to the competitive edge of the steel maker.

Events of this type seem to be exceptions and do not constitute a trend. The prevailing mood in general seems to be of suspicion, distrust, fire fighting, strikes, lock-out and closure of the units. For instance, at the Hosur plant of Titan, workers went on a strike in 1996 following the dismissal of a female apprentice, who the management felt had a performance below standard. Situation became violent and lock-out was the result. The impasse ended only after the workers extracted an assurance from the management that the dismissed employee would be given a job elsewhere.

Industrial relations (IR) has traditionally been a *fire-fighting* function in our country. The IR man comes into full play only after the crisis erupts. This is so much the case that some IR men are actually known to have stoked the fire to reinforce their own relevance to the organisation. "... the MD of a large corporation remarking that his personnel manager was so much of a fire-fighter that he felt uneasy when there was no fight,"[1] so goes the perception about IR.

Thus, the scenario relating to IR is a mixed one. Sparks between enlightened managers and motivated work-force co-exist with large-scale violence leading to destruction and closures.

But the scenario must change. Unionisation, job security, protective legislation and other shibboleths are losing their relevance. The catch words now relevant are productivity, competitiveness, downsizing, job-hopping and union-free plants.