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Human Resource Management

MGT501

Course Handouts

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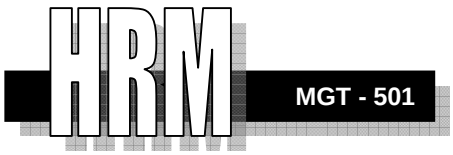
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Human Resource Management MGT501

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This subject/course is designed to teach the basic principles of Human Resource Management (HRM) to diverse audience/students, including those who are studying this as a supporting subject for their bachelor degree program. This course is designed to provide you the foundations of HRM whether you intend to work in HRM or not, most of these elements will affect you at some point in your career. Either you will be working with some organizations or having people working for you, in both cases you will be dealing with people.

To be understandable and lively means that we need to communicate you. We start every chapter with learning objectives. The most important thing you will get out of this course are the basic skills required to succeed in today's environment which are, you must be able to communicate, think creatively, plan effectively and deal with people.

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LESSON 1

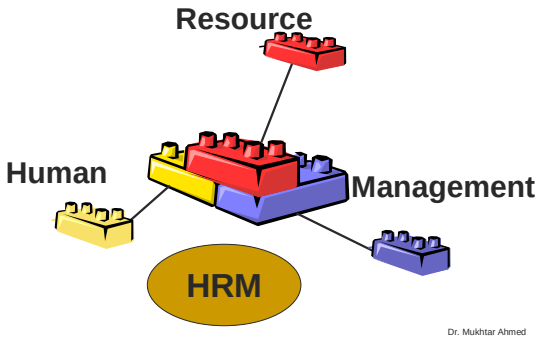
INTRODUCTION TO HRM

After studying this chapter, students should be able to understand the following:

- **Describe HRM?**
- **Explain why are we concerned about HRM?**
- **Discuss Road-map of HRM**

LESSON OVERVIEW

This chapter introduces the students with the basic concepts of the human resource management (HRM). During the lecture, we will be discussing the three main things, i.e. the introduction to HRM, the importance of HRM, and a brief discussion of the topics that will follow today's lecture.



A basic concept of management states that manager works in organizations. Organization has three basic components, People, Purpose, and Structure. HRM is the study of activates regarding people working in an organization. It is a managerial function that tries to match an organization's needs to the skills and abilities of its employees. Let's see what is meant by the three key terms… human, resource, and management.

- Human (Homo-sapiens – Social Animal)
- Resources (Human, Physical, Financial, Technical, Informational etc)
- Management (Function of Planning, Organizing, Leading & Controlling of organizational resources to accomplish goals efficiently and effectively)

Functions of HRM

Basic functions that all managers perform: planning, organizing, staffing, leading, and controlling. HR management involves the policies and practices needed to carry out the staffing (or people) function of management.

HRM department regardless of the organization's size must perform following human resource management functions…

- Staffing (HR planning, recruitment and selection)
- Human resource development
- Compensation and benefits
- Safety and health
- Employee and labor relations
- Records maintaining, etc.
- HR research (providing a HR information base, designing and implementing employee communication system).
- Interrelationship of HR functions.

A. What is human resource management?

As we said that HRM is the management of people working in an organization, it is a subject related to human. For simplicity, we can say that it is the management of humans or people. HRM is a managerial function that tries to match an organization's needs to the skills and abilities of its employees. Human Resource Management is responsible for how people are managed in the organizations. It is responsible for bringing people in organization helping them perform their work, compensating them for their work and solving problems that arise.

Growing Importance of HRM

The success of organizations increasingly depends on people-embodied know-how- the knowledge, skill, and abilities imbedded in an organization's members. This knowledge base is the foundation of an organization' core competencies (integrated knowledge sets within an organization that distinguish it from its competitors and deliver value to customers).

HRM plays important role in creating organizations and helping them survive. Our world is an organizational world. We are surrounded by organizations and we participate in them as members, employees, customers, and clients. Most of our life is spent in organization, and they supply the goods and services on which we depend to live. Organizations on the other hand depend on people, *and without people,* they would disappear.

Factors Contributing to the Growing Importance of HRM

a. Accommodation to workers' needs

Workers are demanding that organizations accommodate their personal needs by instituting such programs as flexible work schedules, parental leave, child-care and elder-care assistance, and job sharing. The human resource department plays a central role in establishing and implementing policies designed to reduce the friction between organizational demands and family responsibilities.

b. Increased complexity of the Manager's job

Management has become an increasingly complex and demanding job for many reasons, including foreign competition, new technology, expanding scientific information, and rapid change. Therefore, organizations frequently ask human resource managers for assistance in making strategic business decisions and in matching the distinctive competencies of the firm's human resources to the mission of the organization. Executives need assistance from the human resource department in matters of recruitment, performance evaluation, compensation, and discipline.

c. Legislation and litigation

The enactment of state laws has contributed enormously to the proliferation and importance of human resource functions. The record keeping and reporting requirements of the laws are so extensive that to comply with them, many human resource departments must work countless hours and often must hire additional staff.
Four areas that have been influenced most by legislation include equal employment, Compensation, safety, and labor relations. An organization's failure to comply with laws regulating these areas can result in extremely costly back-pay awards, class action suits, and penalties.

d. Consistency

Human resource policies help to maintain consistency and equity within an organization. Consistency is particularly important in compensation and promotion decisions. When managers make compensation decisions without consulting the human resource department the salary structure tends to become very uneven and unfair promotion decisions also may be handled unfairly when the HR department does not coordinate the decision of individual manger.

e. Expertise

Now a days there exist sophisticated personnel activities that require special expertise. For example, researchers have developed complex procedures for making employee-selection decisions; statistical formulas that combine interviews, test scores, and application-blank information have replaced the subjective interviews traditionally used in making selection decisions. Similarly, many organizations have developed compensation systems with elaborate benefits packages to replace simple hourly pay or piece rate incentive systems

f. Cost of Human Resource

Human resource activities have become increasingly important because of the high cost of personal problem. The largest single expense in most organizations is labor cost, which is often considerably higher than the necessary because of such problems as absenteeism tardiness and discrimination.

B. Why are we concerned with HRM?

1. Helps you get results - through others.

Different managerial techniques help mangers to direct the performance of employees in desirable direction in order to achieve the organizational objectives. Through the efforts of others working in an organization, managers get things done that require effective human resource management.

2. Helps you avoid common personnel mistakes

Qualified HR mangers utilize organization resources in such a way that helps to avoid common personnel mistakes like the following…

a. Hiring the wrong person for the job
b. Experiencing high turnover
c. Finding employees not doing their best
d. Having your company taken to court because of your discriminatory actions
e. Having your company cited under federal occupational safety laws for unsafe practices
f. Allowing a lack of training to undermine your department's effectiveness
g. Committing any unfair labor practices

3. Helps you to gain Competitive Advantage

Among all the resources possessed by the organizations it is only Manpower or the Human resources that create the real difference. Because all organizations can have the same technology, they can possess same type of financial resources, same sort of raw material can be used to produce the goods and services but the organizational source that can really create the difference is work force of the organization. Therefore they are the main sources of innovation creativity in the organizations that can be used as a competitive advantage. In today's competitive environment, these are the people which can create competitive advantageous for the organizations.

The world around us is changing. No longer can we consider our share of the "good Life" given. If we are to maintain some semblance of that life, we as individual, as organizations, as society will have to fight actively for it an increasingly competitive global environment. If organizations are able to mange its work force efficiently/effectively this will be beneficial for all stakeholders (Organization, Employees and Society).

Successful HRM

- **Organization**: High level of profitability, Higher annual sales per employee, High market value.
- **Employee**: More employment security, More job opportunities, High wages.
- **Society**: Elevating the standard of living, Strengthening ethical guidelines.



Challenges/Issues of Managing Human Resources in present era

Following are the main issues that are faced by the mangers to manage the workforce of today's organization for achievement of objectives.

a. To Attract People

People will be interested to join any organization if it is providing them quality working environment, attractive benefit and opportunities to excel in future. Keeping in view the opportunities in the market, the first issues will be to attract good people for your organization.

b. To Develop People

Development is related to provide the opportunities for training and development to match the skills to job in particular areas. It requires careful need assessment for training and selecting effective training methods and tools. After attracting/selecting, continuous development of workforce of the organization leads towards development of the organization. So that they will start playing their important role in the organization.

c. To Motivate

Motivation means to influence performance of others and to redirect the efforts in desirable direction by using different motivational tools that can help in fulfilling the mission of organization. Third important issues/concern will be to keep your workforce motivated so that they should keep on delivering effectively.

d. To Keep Talented People

This is related to retention of workforce in organization and to take steps that can prevent undesirable detachments of talented and motivated workers from the organization.

C. Discussion on the road-map of HRM

For the convenience and attainment of our course objectives, we divide our course into 42 modules. Each module includes information for you to acquire and understand, issues for you to consider, and skills for you to develop.

Road Map of the Course

The list of topics, which we call the 'road map' of this course, is given below…

1. Introduction
2. Basic concepts of management and its relationships with HRM
3. Components of an organization
4. Concepts of people working together
5. Individual vs. Group behavior and Teams
6. History of HRM
7. New trends at workplace with changing environment
8. Workforce diversity, pros and cons
9. Functions of HRM
10. Relationship between HR specialist and line managers
11. Legal and ethical issues in HRM
12. Human resource planning (HRP)Human resource information system (HRIS)
14. Job analysis
15. Job analysis continued Job analysis outcomes.
16. Recruitment
17. Source of recruitment
18. Selection
19. Selection Tests
20. Selection process, continued
21. Socialization
22. Training & development
23. Maximizing learning
24. Career management
25. Performance Appraisal
27. Job evaluation and pricing
28. Compensation system
29. Benefits
30. Role of money in performance of employee
31. Motivation Occupation health and safety
32. Stress management
33. Communication in organization
34. Trade union
35. Conflict and Negotiation
36. Power & politics
37. Discipline
38. HR auditing
39. HR control process
40. Leadership
41. Leadership in organization
42. Employee separation
43. International dimension of HRM
44. Conclusion & Review.

Key Terms

Human Resource Management	The staffing functions of the management process. Or the policies and practices needed to carry out the "people" or human resource aspects of a management position, including recruiting, screening, training, rewarding, and appraising etc.
Manager	Individuals in an organization who direct the activities of others. Member of the organization performing the management function
Motivation:	Motivation means to influence performance of others and to redirect the efforts in desirable direction by using different motivational tools that can help in fulfilling the mission of organization
Organization	A systematic arrangement of people to accomplish some specific purpose.
Competitive Advantage	Any factor that allows an organization to differentiate its product or service from those of its competitors to increase market share.
Stakeholders	All individuals and groups that are directly or indirectly affected by an organization's decisions

LESSON 2

ESSENTIALS OF MANAGEMENT

LESSON OUTLINE

After studying this chapter, students should be able to understand the following:

- **Concepts and Essential of Management**
- **Management and its relationship with HRM**

LESSON OVERVIEW

This lecture discusses the management process and its role in the organization. To start with, first of all we will define the Management and then we will go through the functions of management as well as relationship between management and HRM

.

A. Concepts and Essential of Management

i. What is Management?

Management is the process of working with different resources to accomplish organizational goals. *Good* managers do those things both effectively and efficiently. To be *effective* is to achieve organizational goals. To be *efficient* is to achieve goals with minimum waste of resources, that is, to make the best possible use of money, time, materials, and people. Some managers fail on both criteria, or focus on one at the expense of another. The best managers maintain a clear focus on both effectiveness *and* efficiency.



ii. The Functions of Management

What can managers do to be effective and efficient? The management process, properly executed, involves a wide variety of activities including planning, organizing, leading, and controlling.

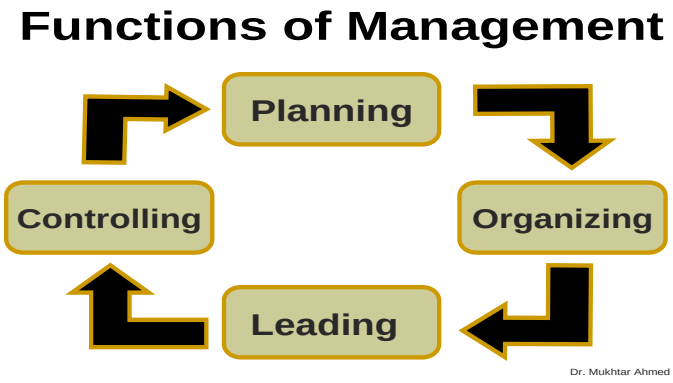
These activities, described below, are the traditional functions of management

a. Planning

Planning is specifying the goals to be achieved and deciding in advance the appropriate actions taken to achieve those goals. Planning activities include analyzing current situations, anticipating the future, determining objectives, deciding what types of activities the company will engage in, choosing corporate and business strategies, and determining the resources needed to achieve the organization's goals. The outcome of the planning process is the ***organization's strategy.***

b. Organizing

Organizing is assembling and coordinating the human, financial, physical, informational, and other resources needed to achieve goals. Activities include attracting people to the organization, specifying job responsibilities, grouping jobs into work units, marshalling and allocating resources, and creating conditions so that people and things work together to achieve maximum success. The outcome of organizing is an ***organizational structure.***



c. Leading

Leading is stimulating people to be high performers. It is directing, motivating, and communicating with employees, individually and in groups. Leading involves close day-to-day contact with people, helping to guide and inspire them toward achieving team and organizational goals. Leading takes place in teams, departments, divisions, and at the tops of entire organization. The outcome of leading is a high level of ***motivation and commitment.***

d. Controlling

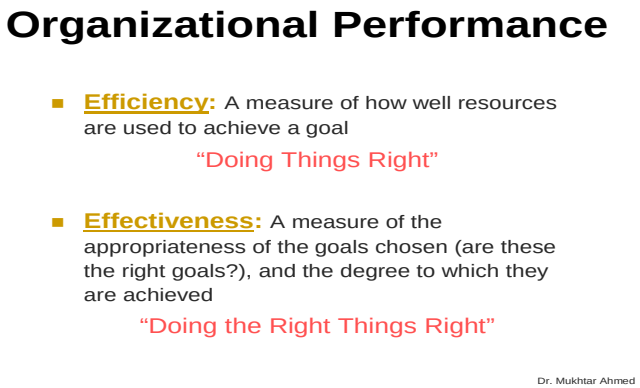
Comprehensive plans; solid organization, and outstanding leaders do not guarantee success. The fourth functional controlling, monitors progress and implements necessary changes. When managers implement their plans, they often find that things are not working out as planned. The **controlling** function makes sure that goals are met. It asks and answers the question, "Are our actual outcomes consistent with our goals?" It makes adjustments as needed. Specific controlling activities are to set performance standards that indicate progress toward long-term goals; to identify performance problems by comparing performance data against standards; and to take actions to correct problems. Budgeting, information systems, cost cutting, and disciplinary action are just a few of the tools of control. Successful organizations, large and small, pay close attention to how well they are doing. They take fast action when problems arise, and are able to change as needed. The outcome of controlling is an accurate ***measurement of performance and regulation of efficiency and effectiveness***

iii. Effectiveness & Efficiency

Productivity = Efficiency x Effectiveness

a. **Efficiency** is the ratio of outputs to inputs.

b. **Effectiveness** is the degree to which the organizations output correspond to the need and wants of the external environment that include customers' suppliers' competitors and regulatory agencies.



iv. Manager

The member of the organization who participates in the management process by planning, organizing, leading, or controlling the organization's resources.

v. Types of Mangers

There are three types of mangers…

1. **Strategic Manager**: Strategic managers are the senior executives of an organization and are responsible for its overall management. Major activities include developing the company's goals and plans. Typically strategic managers focus on long-term issues and emphasize the survival, growth, and overall effectiveness of the organization.

2. **Tactical Managers:** Tactical managers are responsible for translating the general goals and plans developed by strategic managers into objectives that are more specific and activities. These decisions, or *tactics,* involve both a shorter time horizon and the coordination of resources. Tactical managers are often called middle managers, because in large organizations they are located between the strategic and operational managers. Today's best middle managers have been called "working leaders." They focus on relationships with other people *and* on achieving results. They are hands-on, working managers. They do not just make decisions, give orders, wait for others to produce, and then evaluate results. They get dirty, do hard work themselves, solve problems, and produce value.



3. **Operational Managers:** Operational managers are lower-level managers who supervise the operations of the organization. These managers often have titles such as supervisor or sales manager. They are directly involved with non-management employees, implementing the specific plans developed with tactical managers. This role is critical in the organization, because operational managers are the link between management and non-management personnel. Your first management position probably will fit into this category.

vi. Managers are Universal:

Managers work in all types of organizations, at all levels, and in all functional areas. Large and small businesses, hospitals, schools and governments benefit from efficient and effective management. The leaders of these organizations may be called executives, administrators, or principals, but they are all managers and are responsible for the success or failure of the organization. This success or failure is reflected in a manager's career. For example, when a CEO saves a failing corporation, the board rewards this success with bonuses and stock options. When a professional football team starts losing, the owner fires the coach, not the team.

vii. The Managerial Skills

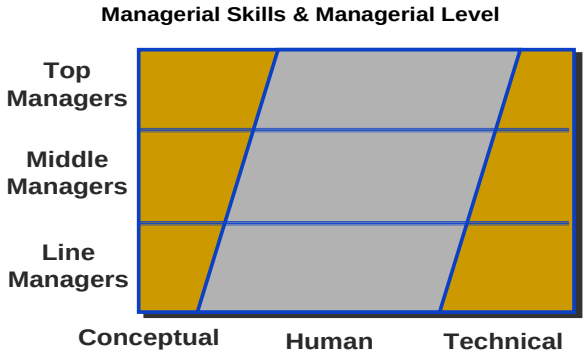
Managers need three basic sets of skills: technical, interpersonal, and conceptual.

a. Technical Skills

The skills that include knowledge of and proficiency in a certain specialized field Managers need to be technically competent. They need to know how to plan, organize lead and control. Line managers need this skill the most while top manager will need minimum of technical skills.

b. Interpersonal Skills/Human Skills

Interpersonal skills include the ability to work well with other people both individually and in a group. Mangers need good interpersonal skills, knowledge about human behaviors and group processes, ability to understand the feelings, attitudes and motives of others, and ability to communicate, clearly and persuasively. Human skills are very important at each level of management.

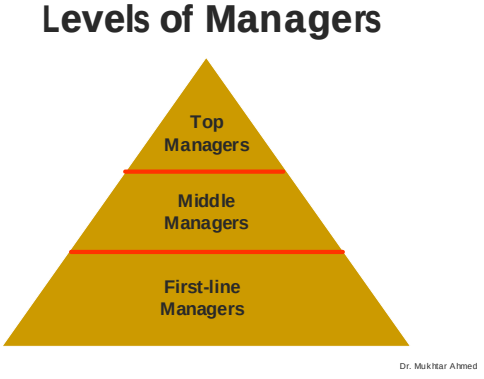


c. Conceptual Skills

Conceptual skills include the ability to think and to conceptualize about abstract and complex situations, to see the organization as a whole, and to understand the relationships among the various subunits, and to visualize how the organization fits into its broader environment. Conceptual skills include analytical ability, logical thinking, concept formation, and inductive reasoning. They manifest themselves in things like good judgment, creativity, and the ability to see the big picture. Top mangers/CEO needs this type of skill the most.

viii. Levels of Management

Three level in the organization can classify managers, particularly for traditionally structured organizations…



1. **First-line managers** are the lowest level of management. They're often called supervisors

2. **Middle managers** include all levels of management between the first-line level and the top level of the organization.

3. **Top managers** include managers at or near the top of the organization who are responsible for making organization wide decisions and establishing the plans and goals that affect the entire organization.

Manager's Roles:

a. Interpersonal roles

- Figurehead—duties that are ceremonial and symbolic in nature
- Leadership—hire, train, motivate, and discipline employees
- Liaison—contact outsiders who provide the manager with information. These may be individuals or groups inside or outside the organization.

b. Informational roles

- Monitor—collect information from organizations and institutions outside their own
- Disseminator—a conduit to transmit information to organizational members
- Spokesperson—represent the organization to outsiders

c. Decisional roles

- Entrepreneur—managers initiate and oversee new projects that will improve their organization's performance
- Disturbance handlers—take corrective action in response to unforeseen problems
- Resource allocators—responsible for allocating human, physical, and monetary resources
- Negotiator role—discuss issues and bargain with other units to gain advantages for their own unit

All managers are mostly concerned with following activities:

- Staffing
- Retention
- Development
- Adjustment
- Managing change

HR Professionals' Responsibilities:

Line manager

Authorized to direct the work of subordinates—they're always someone's boss. In addition, line managers are in charge of accomplishing the organization's basic goals.

Staff manager

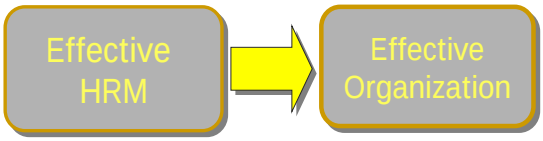
Authorized to assist and advise line managers in accomplishing these basic goals. HR managers are generally staff managers.

B. Management and its relationship with HRM

There are five basic functions that all managers perform: planning, organizing, staffing, leading, and controlling. HR management involves the policies and practices needed to carry out the staffing (or people) function of management.

HRM can help to manage the following factors in the organization**.**

- Productivity
- Operations
- Relationships
- Conflict
- Stress
- Reward systems



Dr. Mukhtar Ahmed

Effectiveness and success of entire organization depends upon effective manpower of organization.

Key Terms

Controlling	Specific activities are to set performance standards that indicate progress toward long-term goals.
Decisional roles	Included those of entrepreneur, disturbance handler, resource allocator, and negotiator activities.
Disseminator	Is a conduit to transmit information to organizational members.
Disturbance handlers	Take corrective action in response to unforeseen problems.
Effectiveness	A measure of the appropriateness of the goals chosen (are these the right goals?), and the degree to which they are achieved.
Efficiency	It measure of how well resources are used to achieve a goal.
Entrepreneur	Managers initiate and oversee new projects that will improve their organization's performance
Figurehead	Duties that are ceremonial and symbolic in nature.
Informational roles	Included monitoring, disseminating, and spokesperson activities.
Interpersonal roles	Included figurehead, leadership, and liaison activities.
Leadership	Hires, train, motivate, and discipline employees.
Leading	Leading is stimulating people to be high performers It is directing, motivating, and communicating with employees, individually and in groups.
Liaison	Contact outsiders who provide the manager with information. These may be individuals or groups inside or outside the organization.
Line manager	Authorized to direct the work of subordinates—they're always someone's boss. In addition, line managers are in charge of accomplishing the organization's basic goals.
Management	Management is the process of working with different resources to accomplish organizational goals.
Manager	The member of the organization who participates in the management process by planning, organizing, leading, or controlling the organization's resources.
Monitor	Collect information from organizations and institutions outside their own.
Negotiator role	Discuss issues and bargain with other units to gain advantages for their own unit
Organizing	Assembling and coordinating the human, financial, physical, informational, and other resources needed to achieve goals.
Planning	Planning is specifying the goals to be achieved and deciding in advances the appropriate actions taken to achieve those goals.
Resource allocators	Responsible for allocating human, physical, and monetary resources.
Spokesperson	Represent the organization to outsiders.
Staff manager	Authorized to assist and advise line managers in accomplishing these basic goals.

LESSON 3

ORGANIZATION AND COMPONENTS OF ORGANIZATION

After studying this chapter, students should be able to understand the concepts about:

- **Organization**
- **Components of an Organization**

LESSON OVERVIEW

This lecture discusses the organization, its types, and the components of organization. An **organization** is a managed system designed and operated to achieve a specific set of objectives. We will also discuss the components of an organization. Remember Managers operate in organizations.

A. Organization

An organization is not a random group of people who come together by chance. They consciously and formally establish it to accomplish certain goals that its members would be unable to reach individually. A manager's job is to achieve high performance relative to the organization's objectives. For example, a business organization has objectives to (1) make a profit (2) furnish its customers with goods and services; (3) provide an income for its employees; and (4) increase the level of satisfaction for everyone involved.



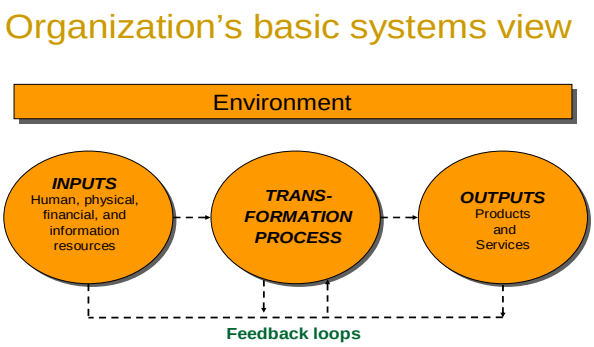
An organization is a social entity, which is goal orients and deliberately structured. Organizations are not functioning in isolated but are linked to external dynamic environment. Virtually all organization combines (1) Raw material, (2) Capital and (3) labor & knowledge to produce Goods and Services.

Types of organization

a) **Formal:** The part of the organization that has legitimacy and official recognition.
b) **Informal:** The unofficial part of the organization.

B. Components of Organization:

1. Task
2. People
3. Structure
4. Technology



1. **Task:** This component can be defined as a mission or purpose of the existence of organization. Every organization is having a purpose of existence that is accomplished by producing certain goods and services as an output, which is termed as task.

2. **People:** The workforce or human part of organization that performs different operations in the organization.

3. **Structure:** Structure is the basic arrangement of people in the organization.

4. **Technology:** The intellectual and mechanical processes used by an organization to transform inputs into products or services.

Systematic Approach to Management

A system is an entity with a purpose that has interdependent parts. The systems approach suggests viewing the organization as a system. All systems have four basic characteristics: 1) they operate within an environment; 2) they are composed of building blocks called elements, components, or subsystems; 3) they have a central purpose against which the organization's efforts and subsystems can be evaluated; and 4) essential systems thinking places focus on the interrelatedness among the subsystems and its environment.

Systematic management emphasized internal operations because managers were concerned primarily with meeting the explosive growth in demand brought about by the Industrial Revolution. In addition, managers were free to focus on internal issues of efficiency, in part because the government did not constrain business practices significantly. Finally, labor was poorly organized. As a result, many managers were oriented more toward things than toward people.

The influence of the systematic management approach is clear in the following description of one organization's attempt to control its workers.

Open versus Closed Systems

A closed system does not interact with the outside environment. Although few systems actually take this form, some of the classical approaches treated organizations as closed systems. The assumption was that if managers improve internal processes, the organization would succeed. Clearly, however, all organizations are open systems, dependent on inputs from the outside world, such as raw materials, human resources, and capital, and output to the outside world that meet the market's needs for goods and services.

Above figure illustrates the open-system perspective. The organizational system requires inputs, which the organization transforms into outputs, which are received by the external environment. The environment reacts to these outputs through a feedback loop, which then becomes an input for the next cycle of the system. The process continues to repeat itself for the life of the system.

As above Figure shows, a system is a set of interdependent parts that processes inputs (such as raw materials) into outputs (products). Business inputs typically known as resources include human, physical, financial etc resources. Most businesses use a variety of human, financial, physical, and informational resources. Manager's function is to transform these resources into the outputs of the business. Goods and services are the outputs of the business. Some of the major components of the external environment include customers, competitors, suppliers, and investors.

Efficiency and Effectiveness

The closed-system focus of the classical theorists emphasized the internal efficiency of the organization; that is, these perspectives addressed only improvements to the transformation process. Efficiency is the ratio of outputs to inputs. Systems theory highlights another important dimension for managers: effectiveness. Effectiveness is the degree to which the organization's outputs correspond to the needs and wants of the external environment. The external environment includes groups such as customers, suppliers, competitors, and regulatory agencies. Even a firm that has mastered Taylor's scientific management techniques and become extremely efficient is vulnerable if, it does not consider the effectiveness of its output

Subsystem

Systems theory also emphasizes that an organization is one level in a series of subsystems. For instance, Pakistan Air force is a subsystem of our defense industry and the flight crews are a subsystem of Pakistan Air force. Again, systems theory points out that each subsystem is a component of the whole and is interdependent with other subsystems.

Synergy

Systems theory also popularized the concept of synergy, which states that the whole is greater than the sum of its parts. For example, 3M have applied its core technology of adhesives to many products, from industrial sealers to Post-it notes. 3M has not had to start from scratch with each product; its adhesives expertise provides synergies across products.

Human Relation Approach

Another approach to management, human relations, developed during the early 1930s. This approach aimed at understanding how psychological and social processes interact with work situation to influence performance. Human relations were the first major approach to emphasize informal work relationships and worker satisfaction. This approach owes much to other major schools of thought.

The Hawthorne Studies

Western Electric Company, a manufacturer of communications equipment, hired a team of Harvard researchers led by Elton Mayo and Fritz Roethlisberger. They were to investigate the influence of physical working conditions on workers' productivity and efficiency in one of the company's factories outside Chicago. This research project, known as the Hawthorne Studies provided some of the most interesting and controversial results in the history of management.

The Hawthorne Studies were a series of experiments conducted from 1924 to 1932. During the first stage of the project (the Illumination Experiments), various working conditions, particularly the lighting in the factory, were altered to determine the effects of these changes on productivity. The researchers found no systematic relationship between the factory lighting and production levels. In some cases, productivity continued to increase even when the illumination was reduced to the level of moonlight. The researchers concluded that the workers performed and reacted differently because the researchers were observing them. This reaction is known as the Hawthorne Effect.

This conclusion led the researchers to believe productivity may be affected more by psychological and social factors than by physical or objective influences. With this thought in mind, they initiated the other four stages of the project. During these stages, the researchers performed various work group experiments and had extensive interviews with employees. Mayo and his team eventually concluded that the informal work group influenced productivity and employee behavior.

The Human Relations Viewpoint

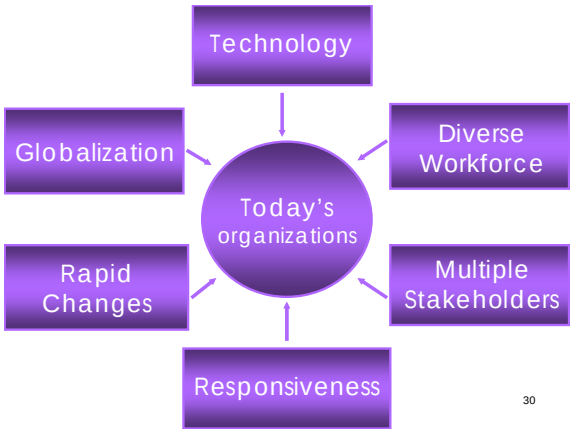
Human relations proponents argued that managers should stress primarily employee welfare, motivation, and communication. They believed social needs had precedence over economic needs. Therefore, management must gain the cooperation of the group and promote job satisfaction and group norms consistent with the goals of the organization.

Another noted contributor to the field of human relations was Abraham Maslow. In 1943, Maslow suggested that humans have five levels of needs. The most basic needs are the physical needs for food, water, and shelter; the most advanced need is for self-actualization, or personal fulfillment. Maslow argued that people try to satisfy their lower level needs and then progress upward to the higher-level needs. Managers can facilitate this process and achieve organizational goals by removing obstacles and encouraging behaviors that satisfy people's needs and organizational goals simultaneously.

Although the human relations approach generated research into leadership, job attitudes, and group dynamics, it drew heavy criticism. Critics believed the philosophy, while scientific management overemphasized the economic and formal aspects of the workplace; human relations ignored the more rational side of the worker and the important characteristics of the formal organization. However, human relations were a significant step in the development of management thought, because it prompted managers and researchers to consider the psychological and social factors that influence performance.

The Challenges of today's organization

Organizations are facing different challenges in today's environment like:



Technology

Only 20 years ago, few workers used fax machines or e-mail, and computers occupied entire rooms, not desktops. Advances in information and communication technology have permanently altered the workplace by changing the way information is created, stored, used, and shared.

Diverse Workforce

A diverse workforce refers to two or more groups, each of whose members are identifiable and distinguishable based on demographic or other characteristics like gender, age group, education etc. Several barriers in dealing with diversity include stereotyping, prejudice, ethnocentrism, discrimination, tokenism, and gender-role stereotypes.

Multiple Stakeholders

Stakeholders are those who have interests in the organization. Multiple stakeholders for an organization include the customers, suppliers, consumers, investors, lenders, etc.

Responsiveness
An organization has to be responsive to the challenges and threats that it faces from within the internal or external environment. It requires quick responsiveness to meet the challenges and opportunities arising out of these changes.

Rapid Changes
Due to changing internal and external environment, rapid changes in the organization occur. Organization has to be flexible to adjust to those changes.

Globalization
Managers are faced with a myriad of challenges due to an array of environmental factors when doing business abroad. These managers must effectively plan, organize, lead, control, and manage cultural differences to be successful globally.

Key Terms

Diverse Workforce: A diverse workforce refers to two or more groups, each of whose members are identifiable and distinguishable.

Effectiveness: A measure of the appropriateness of the goals chosen (are these the right goals?), and the degree to which they are achieved.

Efficiency: Efficiency is the ratio of outputs to inputs.

Organization: Organization is a managed system designed and operated to achieve a specific set of objectives.

Stakeholders: Stakeholders are those who have interests in the organization

Structure: Structure is the basic arrangement of people in the organization.

Synergy: This concept states that the whole is greater than the sum of its parts.

System: A system is an entity with a purpose that has interdependent parts.

Task: This component can be defined as a mission or purpose of the existence of organization.

LESSON 4

PEOPLE AND THEIR BEHAVIOR

After studying this chapter, students should be able to understand:

A. **Concepts of people working together**
B. **Organizations and human behavior**

LESSON OVERVIEW

As we discussed in the earlier lectures that human resource management is the management of human as important resources of organization. Each human is different from one another. This difference is due to the difference of behavior of each employee. In order to manage the humans well, managers need to know the behavior of people in order to take the best out of them. Today we will be discussing some basic concepts of the Organizational Behavior. We will have detail discussion on individual behaviors and the factors influencing the individual behavior.

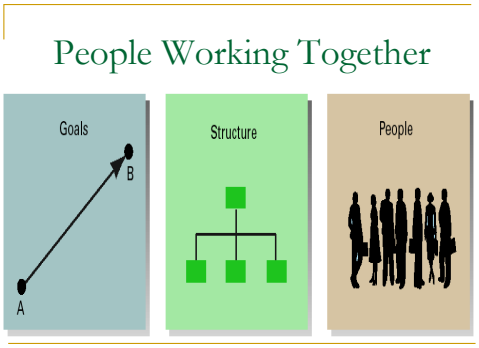
A. Concepts of people working together

Why to work in organizations?

People can be more productive when working in groups than when working alone. What Managers *can* do and what Managers *cannot* do while managing people, organizations and society is the myths of management.

Basic purpose of the working or existence of organization is:

- Link individuals into relationships
- Allocate the tasks to fulfill the objective
- Allocate authority to perform individual tasks
- Coordinate the objectives and activities of separate units
- Facilitate the flow of work



Organizational Behavior

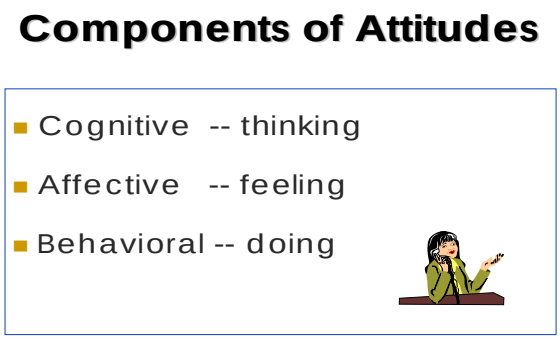
- OB is concerned specifically with the actions of people at work. Managers need to develop their interpersonal or people skills if they are going to be effective in their jobs. Organizational behavior (OB) is a field of study that investigates the impact that individuals, groups, and structure have on behavior within an organization, and then applies that knowledge to make organizations work more effectively. Specifically, OB focuses on how to improve productivity, reduce absenteeism and turnover, and increase employee citizenship and job satisfaction. We all hold generalizations about the behavior of people. Some of our generalizations may provide valid insights into human behavior, but many are erroneous. Organizational behavior uses systematic study to improve predictions of behavior that would be made from intuition alone. Yet, because people are different, we need to look at OB in a contingency framework, using situational variables to moderate cause-effect relationships.
- OB addresses some issues that are not obvious, such as informal elements. It offers both challenges and opportunities for managers. It recognizes differences and helps managers to see the value of workforce diversity and practices that may need to change when managing in different situation and countries. It can help improve quality and employee productivity by showing managers how to empower their people as well as how to design and implement change programs. It offers specific insights to improve a manager's people skills. In times of rapid and ongoing change, faced by most managers today, OB can help managers cope in a world of "temporariness" and learn ways to stimulate innovation. Finally, OB can offer managers guidance in creating an ethically healthy work environment.

Focus of Organizational Behavior

OB looks at individual behavior, which includes personality, perception, learning, and motivation. It is also concerned with group behaviors specifically in areas of norms roles, team building, conflicts and negotiation.

The Goals of Organizational Behavior

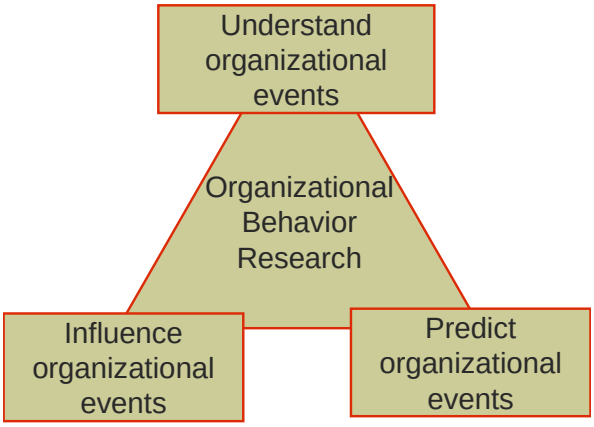
1. The emphasis will be on employee productivity, reduce absenteeism, and turnover.
2. Organizational citizenship—a fourth type of behavior becoming important in determining employee performance.
3. Attitudes are evaluative statements—favorable or unfavorable—concerning objects, people, or events.
4. **An attitude is made-up of three components**: cognition, affect, and behavior.
5. The cognitive component consists of a person's beliefs, opinions, knowledge, and information held by a person.
6. The affective component of an attitude is the emotional, or feeling, segment of an attitude.
7. The behavioral component of an attitude refers to an intention to behave in a certain way.
8. The three most important job-related attitudes are job satisfaction, job involvement, and organizational commitment.



Contribution of OB to effectiveness of Organization:

Wouldn't a Manager's job be easier if he or she could explain and predict behavior? This is the focus of organizational behavior (OB), the study of the actions of people at work. The goal of OB is to explain and predict behavior of employees at work.

OB focuses on both individual behavior and group behavior. Managers must understand behavior in both the formal and informal components of an organization. Managers are particularly concerned with three types of employee behaviors: productivity, absenteeism, and turnover. A fourth type of behavior, organizational citizenship, is emerging as a vital concern.



Managers must also be attentive to employee attitudes. Attitudes are value statements, either favorable or unfavorable, concerning people, events, or objects. Attitudes of special interest to managers pertain to those related to job satisfaction, job involvement, and organizational commitment. Can you think of ways in which your personal attitudes (values) have impact on your behavior at work?

Sometimes an individual experiences an inconsistency between two or more attitudes or between behavior and attitudes. Are happy workers productive workers? The answer to this question is not as simple as it might appear. Review the relationship between employee happiness and productivity and see what you think. Many researchers now believe that managers should direct their attention primarily to what might help employees become more productive.

Five specific personality traits have proven most powerful in explaining individual behavior in organizations. These are locus of control, Machiavellians, self-esteem, self-monitoring, and risk propensity. Review these traits so you can be prepared to predict practical work-related behaviors.

Sometimes different people will hear or witnesses the same situations yet interpret them differently. This happens because of differences in perception. Perception is the process of organizing and interpreting sensory impressions in order to give meaning to the environment. Managers need to recognize that employees react to perceptions, not to reality (if there is such a thing as "reality"). Thus, managers must pay close attention to how employees perceive both their jobs and management practices.

We constantly learn from our experiences. Sometimes we learn from rewards and punishments that are a consequence of our behavior. We learn to behave in order to get something we want or to avoid something we do not want. This is called operative conditioning. An extension of operant conditioning is social learning theory. Social learning theory emphasizes that we can learn through observation as well as direct experience. Managers can influence an employees learning through the rewards they allocate and the examples they set. Does this advice seem equally applicable to parenting?

The behavior of individuals in groups is not the same as the sum total of all of the individuals' behavior. Individuals often act differently in groups than when they are alone. This means that managers must also understand the elements of group behavior. This chapter describes the basic concepts of group behavior.
It is clear that the ability to understand and predict employee behavior is a powerful tool for managers. To illustrate, a movie director must often "get into the mindset" of characters in a script. Understanding a character's perceptions and motivation can help the director guide actors toward an award-winning performance. Managers, too, can serve as a guide and coach, helping employees meet organizational goals.

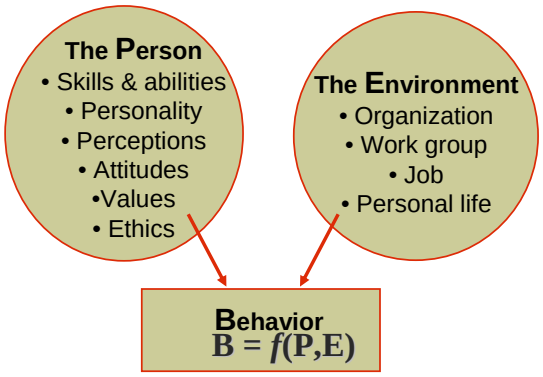
B. Organizations and human behavior

Variables Influencing the Individual Human Behaviors:
In simple word behavior is the function of Person and Environment in which he/she is working.
The following two factors mainly influence the individual behaviors…

1. The Persons
2. The Environment of the Organization

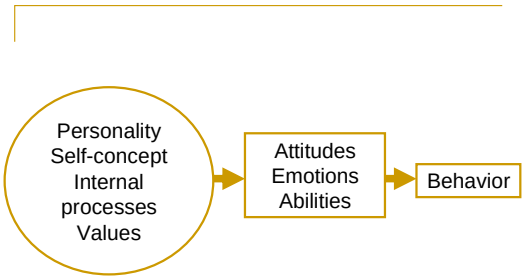
The Persons No single measure of individual differences can provide a complete understanding of an individual or predict all the behaviors of an individual. It is therefore more useful to consider a variety of differences that explain aspects of employee behavior. These can be

- Skills & Abilities
- Personality
- Perceptions
- Attitudes
- Values
- Ethics



Skills & Abilities:
Mental and physical capacities to perform various tasks. This comes from knowledge, learning, and experiences.

Personality:
Research has shown five major dimensions to be consistent components of personality. The Big Five personality dimensions are conscientiousness, extroversion/introversion, and openness to experience, emotional stability, and agreeableness. Conscientiousness - defined as being reliable and dependable, being careful and organized, and being a person who plans - is the dimension most strongly correlated to job performance.



Extroversion/introversion refers to the degree to which a person is sociable, talkative, assertive, active, and ambitious. Openness to experience is the degree to which someone is imaginative, broad-minded, curious, and seeks new experiences. Emotional stability is the degree to which someone is anxious, depressed, angry, and insecure. Agreeableness refers to the degree to which a person is courteous, likable, good-natured, and flexible. Managers must remember that the relevance of any personality dimension depends on the situation, the type of job, and the level at which a person is working.

Four personality traits that have been consistently related to work-related behavior are locus of control, Type-A behavior, self-monitoring, and Machiavellianism. Locus of control indicates an individual's sense of control over his/her life, the environment, and external events. Those with an internal locus of control believe that their actions affect what happens to them, while those with an external locus of control believe that outside factors affect what happens to them. People who exhibit Type-A behavior try to do more in less and less time in an apparently tireless pursuit of everything. Type-A people feel great time urgency, are very competitive, try to do many things at once, and are hostile.
Self-monitoring, the fourth personality trait is the degree to which people are capable of reading and using cues from the environment to determine their own behavior. Strong self-monitoring skills can help managers and employees read environmental and individual cues quickly and accurately and adjust behavior accordingly. People with elements of a Machiavellian personality put self-interest above the group's interests and manipulate others for personal gain.

Perceptions:
We use the mental process of perception to pay attention selectively to some stimuli and cues in our environment. There are two types of perception. Social perception process is the process of gathering, selecting, and interpreting information about how we view themselves and others. In contrast, physical perception focuses on gathering and interpreting information about physical objects rather than people. Closure permits us to interpret a stimulus by filling in missing information based on our experiences and assumption.

Attitudes:
Attitudes are comprised of feelings, beliefs, and behaviors. One important work-related attitude is job satisfaction, the general attitude that people have toward their jobs. Main five factors contribute to job satisfaction: pay; the job itself; promotion opportunities; the supervisor; and relations with co-workers. The relationship between job satisfaction and work performance is complex and influenced by multiple organizational and personal factors. Managers have more influence over job satisfaction than any other individual difference discussed in this chapter.

Values:
Values are long-lasting beliefs about what is important, worthwhile, and desirable. A person's value system is the way he/she organizes and prioritizes values. Terminal values are goals for behavior or for a certain result that someone wants to achieve. Instrumental values are the means—the instruments—that people believe they should use to attain their goals. Cultural values can affect personal values

ETHICS: A key work-related value is the employee's ethics. Those who hold a relativist's view of ethics believe that what is right or wrong depends on the situation or culture. Those with a Universalist's view believe that ethical standards should be applied consistently in all situations and cultures. Value conflict occurs when there is disagreement among values that an individual holds or between individual and organizational values. To avoid value conflict, managers should work toward integrating and fitting the values of different employees with the values of the organization.

The Environment Of Organization

• Work group
• Job
• Personal life

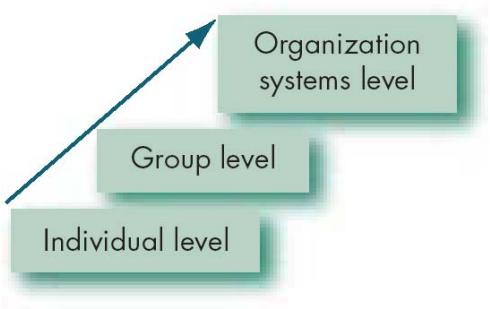
Inside the organization, the work group or the relationship between the group members can affect the individual behavior. Organizational culture can also have impact on the individual behavior.
Cultural values indicate what a cultural group considers important, worthwhile, and desirable. People share the values of their culture, which form the basis for individual value systems composed of terminal values and instrumental values. A key work-related value is a person's ethics. Value systems affect ethical behavior in organizations. Managers must be most concerned with interpersonal and person-organization value conflicts. Interpersonal value conflicts occur when two or more people have opposing values, which can prevent co-workers from working together effectively. Person-organization value conflicts occur when someone's values conflict with the organization's culture, causing frustration and possibly disrupting personal performance.
The factors that influence job satisfaction are pay; the job itself; promotion opportunities; supervisors; and co-workers. The link between job satisfaction and work performance is complex and influenced by multiple organizational and personal factors. The link appears to be stronger for professionals than for employees at

The Basic OB Model

The basic OB model suggests study of the organization at following three levels:

1. Organization
2. Group
3. Individual

The purpose of understanding organizations from all three levels (individual, group, and organization) is to develop a well-rounded view that will prepare us for the challenges that managers face in today's business environment. Focusing on the individual level allows us to understand individual differences, perception, motivation, and learning. Focusing on the group level shows us how more than two people can work together in groups or teams within an organization. Focusing on the organization level allows us to see the effects of the organizational environment, technology, strategy, structure, and culture.



Key Terms

Organizational Behavior: OB is concerned specifically with the actions of people at work

Cognitive component: The cognitive component consists of a person's beliefs, opinions, knowledge, and information held by a person.

Skills & Abilities: Mental and physical capacities to perform various tasks. This comes from knowledge, learning, and experiences.

Personality: The unique combination of psychological traits that describes a person. OR behaviors or trends that influence other people.

Perceptions: Perception is the mental process to pay attention selectively to some stimuli and cues in our environment.

Attitudes: Attitudes are comprised of feelings, beliefs, and behaviors.

Values: Basic convictions about what is right and wrong.

Ethics: Rules and principles that define right and wrong conduct.

LESSON 5

INDIVIDUAL VS GROUP BEHAVIOR

After studying this chapter, you should be able to understand the concepts about…

A. **Individuals**
B. **Groups**
C. **Teams**

LESSON OVERVIEW

In this lecture, we will look at individuals, groups, and teams in organizations. We will explore the role and functioning of groups within organizations and factor affecting the behavior. We will starts by defining a team, discussing its key characteristics, examining its fit in the organization, and exploring the effect of national culture and diversity on teams. Next, we will look at various types of teams in organizations including simple work teams, administrative teams, cross-departmental teams, and process teams. Organizations that use teams are facing with the critical challenge of making their teams effective through team building, a process that is examined in detail in this chapter, followed by an in-depth look at teams in context. The manager needs to understand why employees engage in some behaviors rather than others and to predict how employees will respond to various actions by the manager. The emphasis will be on employee productivity, reduce absenteeism and turnover, and increase job satisfaction.

A. Individual

Why to Focus on Individuals:

Individuals are important units of any organization. If we understand the behavior of individuals, we can predict the outcomes; it will become easy to manage the behaviors of individuals in desirable directions.

We have to look at three individual variables—biographical characteristics, ability, and learning.

Biographical characteristics are readily available to managers. Generally, they include data that are contained in an employee's personal file. The most important conclusions are that, age seems to have no relationship to productivity; older workers and those with longer tenure are less likely to resign; and married employees have fewer absences, less turnover, and report higher job satisfaction than do unmarried employees. But what value can this information have for managers? The obvious answer is that it can help in making choices among job applicants.

Ability directly influences an employee's level of performance and satisfaction through the ability-job fit. Given management's desire to get a compatible fit, what can be done?

A lot of athletes say they want to be part of a cohesive team—but they also want their name printed on the back of their jerseys in 6-inch-high block letters.

-S. P. Robbins

First, an effective selection process will improve the fit. A job analysis will provide information about jobs currently being done and the abilities that individuals need to perform the jobs adequately. Applicants can then be tested, interviewed, and evaluated on the degree to which they possess the necessary abilities.

Second, promotion and transfer decisions affecting individuals already in the organization's employ should reflect the abilities of candidates. With new employees, care should be taken to assess critical abilities that incumbents will need in the job and to match these requirements with the organization's human resources.

Third, the fit can be improved by fine-tuning the job to better match an incumbent's abilities. Often modifications can be made in the job that while not having a significant impact on the job's basic activities, better adapts it to the specific talents of a given employee. Examples would be to change some of the equipment used or to reorganize tasks within a group of employees.

A *final* alternative is to provide training for employees. This is applicable to both new workers and present job incumbents. Training can keep the abilities of incumbents current or provide new skills as times and conditions change.

Any observable change in behavior is prima facie evidence that learning has taken place. What we want to do, of course, is ascertain if learning concepts provide us with any insights that would allow us to explain and predict behavior. Positive reinforcement is a powerful tool for modifying behavior. By identifying and rewarding performance-enhancing behaviors, management increases the likelihood that they will be repeated. Our knowledge about learning further suggests that reinforcement is a more effective tool than punishment. Although punishment eliminates undesired behavior more quickly than negative reinforcement does, but punished behavior tends to be only temporarily suppressed rather than permanently changed. Punishment may produce unpleasant side effects such as lower morale and higher absenteeism or turnover. In addition, the recipients of punishment tend to become resentful of the punisher. Managers, therefore, are advised to use reinforcement rather than punishment.

Finally, managers should expect that employees would look to them as models. Managers who are constantly late to work, or take two hours for lunch, or help themselves to company office supplies for personal use should expect employees to read the message they are sending and model their behavior accordingly.

Individual differences do not dictate people's behavior. Instead, they limit a person's behavioral range, making some behavior easier than others.

B. Group

A group is defined as two or more interacting and interdependent individuals who come together to achieve particular objectives.

Types of Groups

a. **Formal groups** are work groups established by the organization and have designated work assignments and established tasks. The behaviors in which one should engage are stipulated by and directed toward organizational goals.
b. **Informal groups** are of a social nature and are natural formations. They tend to form around friendships and common interests.

Why Do People Join Groups?

There is no single reason why individuals join groups.

1. Security reflects strength in numbers.
    - *The group helps the individual to feel stronger, have fewer self-doubts, and be more resistant to threats.*
2. Status indicates a prestige that comes from belonging to a particular group.
    - *Inclusion in a group viewed as important provides recognition and status.*
3. Self-esteem conveys people's feelings of self-worth.
    - *Membership can raise feelings of self-esteem--being accepted into a highly valued group.*
4. Affiliation with groups can fulfill one's social needs.
    - *Work groups significantly contribute to fulfilling the need for friendships and social relations.*
5. One of the appealing aspects of groups is that they represent power.
    - *What often cannot be achieved individually becomes possible through group action.*
    - *Power might be desired to protect themselves from unreasonable demands.*
    - *Informal groups additionally provide opportunities for individuals to exercise power.*
6. Finally, people may join a group for goal achievement.
    - *There are times when it takes more than one person to accomplish a particular task.*
    - *There is a need to pool talents, knowledge, or power in order to get a job completed.*

Group Roles

What Are Roles?

1. The concept of roles applies to all employees in organizations and to their life outside the organization as well.
2. A role refers to a set of expected behavior patterns attributed to someone who occupies a given position in a social unit.
3. Individuals play multiple roles.
4. Employees attempt to determine what behaviors are expected of them.
5. An individual who is confronted by divergent role expectations experiences role conflict.
6. Employees in organizations often face such role conflicts.

Following are the different types of group roles:

1. Task-oriented roles
2. Relationship-oriented roles
3. Individual roles

Task-oriented roles

- Initiator-Contributors
- Information seekers/providers

Relationship-oriented roles

- Encouragers
- Harmonizers

Individual roles

- Blockers
- Jokers

Characteristics of a well-functioning, effective group

A group is considered effective if it is having following characteristics**.**

- Relaxed, comfortable, informal atmosphere
- Task to be performed are well understood & accepted
- Members listen well & participate in given assignments
- Clear assignments made & accepted
- Group aware of its operation & function
- People express feelings & ideas
- Consensus decision making
- Conflict & disagreement center around ideas or method

C. Team

A team is a mature group with highly independent members who are completely committed to a common goal. All teams start out as groups, but not all groups become teams. The elements that distinguish teams from groups are …

- full commitment by members to a common goal and mission
- interdependent
- mutual accountability
- shared leadership
- trust and a collaborative culture, and
- achievement of synergy



Differentiating Groups and Teams:

Groups and teams are different. All teams are groups, but a group is not always a team. A team is always distinguished by the fact that its members are committed to a common purpose, a set of performance goals, and an approach for which they hold themselves mutually accountable. A group is defined as two or more persons who are interacting with one another in such a manner that each person influences and is influenced by each other person.

Types of Teams

Organizations use four types of teams, which differ according to the complexity of their task and the fluidity of their membership.

1. Self managed Teams
2. Cross Departmental Team
3. Quality Circles
4. Virtual Teams

Self-Directed /managed Work Teams:

A self-managed work team is a formal group of employees who operate without a manager and are responsible for a complete work process or segment that delivers a product or service to an external or internal customer. This kind of team has control over its work pace, determination of work assignments, etc. Fully self-managed work teams even select their own members and evaluate performance.

As a result, supervisory positions take on decreased importance and may even be eliminated.

Cross Departmental Team

Cross-departmental teams work on simpler tasks, and their membership fluidity is high, which means that members come and go over time. Process teams, which address complex tasks, have highly fluid membership.

Problem solving Team

Problem solving also known as Quality circles, which are simple work teams, consist of eight to ten volunteers from a common work area who meet to find solutions to specific problems about the quality of work processes, products, or services. Quality circles have a clear and specific focus on quality improvement within a single work unit. They meet regularly and have limited power to implement their ideas. Organizations can establish quality circles without making major organizational changes, because they operate in parallel to the rest of the structure.

Are Virtual Teams a Reality Today?

A virtual team is an extension of the electronic meetings; virtual team allows groups to meet without concern for space or time and enables organizations to link workers together that in the past couldn't have been done. Team members use technology advances to solve problems-even though they may be geographically dispersed or a dozen time zones away.

Process Teams:

Today's team-based organizations rely mainly on process teams, which do not have departmental affiliation but function independently to undertake broad organizational-level process improvements. In many cases, organizations that implement process teams then partially or totally disband their traditional departments. Self-managed teams (SMTs) are process teams of employees who have full managerial control over their own work. Functioning without outside supervision, they have the power to manage their own work and to implement their own decisions.

A team leader within the SMT provides internal facilitation to remove work obstacles and obtain needed resources. As a team, members coordinate and cooperate with other teams and individuals who are affected by their decisions and activities. Using SMTs requires a total change in organizational structure; not surprisingly, lack of commitment is the common reason for failure.

Making Teams Effective Through Team Building

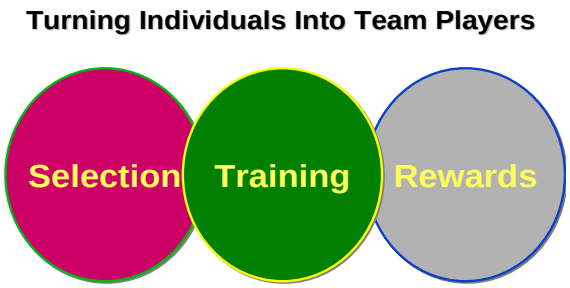
Team building—activities aimed at improving the internal work and relationship processes of teams—requires attention to both task and interpersonal relationships. In team building, organizations apply the principles of group dynamics to select complementary members, support more cohesion, manage stages of group development, and establish constructive norms that foster high performance. Membership in teams is based on expertise in areas that are necessary for task accomplishment. The shamrock team combines a core of permanent members with part-time members and outside subcontractors.

Turning Individuals into teams:

Productive teams require careful selection, training, and management. Guidelines for building effective teams include: seek employee input; establish urgent, demanding performance standards; select members for skill and skill potential; pay special attention to first meetings and actions; set clear rules of behavior; move from "boss" to "coach;" set a few immediate performance-oriented tasks and goals; challenge the group regularly with fresh facts and information; use the power of positive feedback; shoot for the right team size; choose people who like teamwork; and train, train, train.

Turning Individuals In to Team Players

1. **Introduction**
   a. Some individuals prefer to be recognized for their individual achievements.
   b. In some organizations, too, work environments are such that only the "strong" survive.
   c. Creating teams in such an environment may meet some resistance.
   d. Teams fit well with countries that score high on collectivism.



2. **What Are the Management Challenges of Creating Team Players?**
   a. Employees' success, when they are part of teams, is a function of how well the team as a whole performed.
   b. To perform well as team members, individuals must be able to communicate openly and honestly with one another, to confront differences and resolve conflicts, and to place lower priority on personal goals for the good of the team.
   c. The challenge of creating team players will be greatest where
      i. The national culture is highly individualistic.
      ii. The teams are being introduced into an established organization that has historically valued individual achievement.
      iii. This describes, for instance, what faced managers at AT&T, Ford, Motorola, and other large U.S. companies.
   d. In contrast, the challenge for management is less demanding when teams are introduced where employees have strong collectivism values--such as in Japan or Mexico.
   e. The challenge of forming teams will also be less in new organizations that use teams as their initial form of structuring work.

3. **What Roles Do Team Members Play?**
   a. High-performing work teams properly match people to various roles.
   b. There are nine potential roles that work team members often can "play."
   c. Creator-innovators are imaginative and good at initiating ideas or concepts.
      i. They are typically very independent and prefer to work at their own pace in their own way--and very often on their own time.
   d. Explorer-promoters like to take new ideas and champion their cause.
      i. They are good at picking up ideas from the creator-innovator and finding the resources to promote those ideas.
      ii. They often lack the patience and control skills to ensure that the ideas are implemented.
   e. Assessor-developers have strong analytical skills.
      i. They're at their best when given several different options to evaluate and analyze before a decision is made.
   f. Thruster-organizers like to set up operating procedures to get things done.
      i. They set goals, establish plans, organize people, and establish systems to ensure that deadlines are met.

g. And, somewhat like thruster-organizers, concluder-producers are concerned with results.
    i. Their role focuses on insisting that deadlines are kept and commitments fulfilled
    ii. Concluder-producers take pride in producing a regular output to a standard.
h. Controller-inspectors have a high concern for establishing and enforcing rules and policies.
    i. They are good at examining details and making sure that inaccuracies are avoided.
    ii. They want to check all the facts and figures to make sure they're complete.
i. Upholder-maintainers hold strong convictions about the way things should be done.
    i. They will defend the team and fight its battles strongly supporting fellow team members.
    ii. These individuals provide team stability.
j. Reporter-advisers are good listeners and don't tend to press their point of view on others.
    i. They tend to favor getting more information before making decisions.
    ii. They perform an important role in encouraging the team to seek additional information and discouraging the team from making hasty decisions.
k. The linkers overlap the others.
    i. This role can be "played" by any of the previous eight roles.
    ii. Linkers try to understand all views.
    iii. They are coordinators and integrators.
    iv. They dislike extremism and try to build cooperation among all team members.
l. If forced to, most individuals can perform in any of these roles.
    i. Most have two or three they strongly prefer.
m. Managers need to select team members on the basis of an appropriate mix of individual strengths, and allocate work assignments that fit with each member's preferred style.

4. How Can a Manager Shape Team Behavior?

a. The three most popular ways include proper selection, employee training, and rewarding the appropriate team behaviors.

5. What Role Does Selection Play?

a. When hiring team members, the organization should ensure that applicants can fulfill their team roles.
    i. Some job applicants lack team skills.
    ii. If team skills are woefully lacking, don't hire that candidate.
    iii. A candidate who has some basic team skills but needs more refinement can be hired on a probationary basis and be required to undergo training.

6. **Can We Train Individuals to Be Team Players?**

a. Performing well in a team involves a set of behaviors, which can be learned.
b. People who were raised on the importance of individual accomplishment can be trained to become team players.
c. Training specialists can conduct exercises that allow employees to experience the satisfaction that teamwork can provide.
d. The workshops offered usually cover such topics as team problem solving, communications, negotiations, conflict resolution, and coaching skills.
e. Outside consultants can provide a learning environment in which workers can gain practical skills for working in teams.

7. What Role Do Rewards Play in Shaping Team Players?

a. The organization's reward system needs to encourage cooperative efforts rather than competitive ones.
b. Lockheed Martin's Space Launch Systems has organized its 1,000+ employees into teams.
    i. Rewards are structured to return a percentage increase in the bottom line to the team members on the basis of achievement of the team's performance goals.
c. Promotions, pay raises, and other forms of recognition should be given to employees for how effective they are as a collaborative team member.
    i. Individual contribution is balanced with selfless contributions to the team.

d. Managers cannot forget the inherent rewards that employees can receive from teamwork.
    i. Work teams provide camaraderie.
e. There are inherent rewards being on a team-it's exciting and satisfying to be part of a successful one.

8. How Can a Manager Reinvigorate a Mature Team?

a. Effective teams can become stagnant.
    i. Initial enthusiasm can give way to apathy.
    ii. Time can diminish the positive value from diverse perspectives as cohesiveness increases.
    iii. Teams don't automatically stay at the "performing" stage.
    iv. Familiarity and team success can lead to contentment and complacency.
b. Mature teams, also, are particularly prone to suffer from groupthink.
    i. Mature teams early successes are often due to having taken on easy tasks.
    ii. As time passes, the team has to begin to tackle the more difficult issues.
c. What a manager can do to reinvigorate mature teams, four suggestions.

    i. Prepare team members to deal with the problems of team maturity.
    ii. Remind team members that they are not unique.
    iii. Offer refresher training.
    iv. Provide them with refresher training in communication, conflict resolution, team processes, and similar skills.
    v. Offer advanced training.
    vi. Mature teams can benefit from training to develop stronger problem-solving, interpersonal, and technical skills.
    vii. Encourage teams to treat their development as a constant learning experience.
    viii. Just as organizations use continuous improvement program, teams should approach their own development as part of a search for continuous improvement.

Key Terms

Individuals: Individuals are important units of any organization

Group: A group is defined as two or more interacting and interdependent individuals who come together to achieve particular objectives.

Team: A team is a mature group with highly independent members who are completely committed to a common goal.

Role: A role refers to a set of expected behavior patterns attributed to someone who occupies a given position in a social unit.

Self Esteem: Self-esteem conveys people's feelings of self-worth.

LESSON 6

PERSONNEL MANAGEMENT TO HUMAN RESOURCE MANAGEMENT

After studying this chapter, students should be able to understand the following concepts:

A. **The Personnel Management**
B. **History of Personnel Management**
C. **Shifting from Personnel Management to HRM**

LESSON OVERVIEW

This lecture provides meaning about the basic concept of personnel management, historical perspective of the development of HRM department in organization and the factors that played important role in conversion of personnel management department to Human Resource management Department.

A. The Concept of Personnel Management

The term personnel Management and Human Resource management refer to the same processes. Human resource management is a modern term that emerged during the 1970s and won final acceptance in 1989. Both terms, however referred to the same thing; the personnel who work for a company represent that company's human resources.

Although Human Resource Management department as we know them did not generally exist until the 1940s, the activities performed by these departments were not all brand new; in fact, many of the Human Resource practices and programs that we see today ace roots in the earlier times.

Human Resource Management (HRM) historically known as personal management, deals with formal system for the management of the people within the organization, as many well-known companies report that they are trying to transform their workforce into a source of completive advantage.

HR mangers have many concerns regarding their workers. These concerns include how to mange layoffs, address reduced employee loyalty, create a well trained highly motivated work force that can deliver higher quality and productivity. Mange and increase diverse workforce and contain health care cost.

HRM has been undergoing transformation. In 1970s, the job of the HR manger was to keep their companies out of court and in compliance with the increasing number of regulations governing the work place. In the 1980s HR mangers had to address staffing costs related to mergers and acquisitions and downsizing. The economic issues related to an increasingly global and completive workplace characterize the 1990s. Beside these concerns Firms are also facing some other challenges regarding workforce before we take up the HR challenges that face managers, we need to define ***manager*** and say a word about where human resources fit into the organization. Managers are people who are in charge of others and are responsible for the timely and correct execution of actions that promote their units' successful performance.

B. History of Personnel Management

A group of people becomes an organization when they cooperate with each other to achieve common goals. Communication among them is therefore important. But people have individual motivations, which often differ, from the corporate goals. An effective organization is one which succeeds in getting people to accept that cooperating to achieve organizational goals also helps them to achieve their own goals provided they are adequately rewarded through extrinsic and intrinsic rewards. This is achieved primarily through leadership and motivation.

Employers therefore increasingly view human resource management from a strategic perspective, and as an appropriate means through which the chasm between organizational and individual goals can be narrowed. As it has been aptly observed:

"Part of the problem is that we have split off human resource management from the general management problem, as if there were some other kind of management other than human resource management. As long as organizations are based upon the coordinated action of two or more people, management is by definition human resource management.

Despite the proliferation of writings and studies on HRM, there is a wide gap between the rhetoric and the reality, though the gap has been narrowing in the 1990s. There is as yet inadequate research to ascertain the extent to which practice matches corporate policy statements, and the impact of HRM policies and practices on employee behavior and morale. To have a major impact on enterprises, HRM has to be diffused across an economy, rather than remain islands of excellence. Nevertheless, promoting excellent models of HRM stimulates interest in better people management.

HRM has three basic goals, which contribute to achieving management objectives.

The first is integration of HRM in two senses: integrating HRM into an organization's corporate strategy, and ensuring an HRM view in the decisions and actions of line managers. Integration in the first sense involves selecting the HRM options consistent with (and which promote) the particular corporate strategy. The option is determined by the type of employee behavior expected (e.g. innovation) needed to further the corporate strategy. For instance, the HRM policies in relation to recruitment, appraisal, compensation, training, etc. differ according to whether the business strategy is one of innovation, quality enhancement or cost reduction. A strategy of innovation may require a pay system less influenced by market rates but which rewards creativity, and the pay rates would even be low so long as there are ways of making up the earnings package. A cost reduction strategy may lead to pay rates being strongly influenced by market levels. Similarly, training and development would receive less emphasis in a cost reduction strategy than in one where the objective is innovation or quality. But such integration is difficult without securing the inclusion of a HRM view in the decisions and practices of line managers. This requires that HRM should not be a centralized function.

A second goal of HRM is securing commitment through building strong cultures. This involves promoting organizational goals by uniting employees through a shared set of values (quality, service, innovation, etc.) based on a convergence of employee and enterprise interests, which the larger Japanese enterprises have been particularly adept at.

A third goal of HRM is to achieve flexibility and adaptability to manage change and innovation in response to rapid changes consequent upon globalization. Relevant to HRM policies in this regard are training and multi-skilling, re-organization of work and removal of narrow job classifications. Appropriate HRM policies are designed, for instance, to recruit, develop and retain quality staff, to formulate and implement agreed performance goals and measures, and to build a unified organizational culture.

C. Shifting from Personnel Management to HRM

The increasingly important role of HRM is reflected in the transformation of the personnel management function from one of concentrating on employee welfare to one of managing people in a way, which matches organizational and individual goals and providing employees with intrinsic and extrinsic rewards.
Therefore, today Human Resource Management (HRM); historically known as personal management, deals with formal system for the management of the people within the organization. Many well-known companies report that they are trying to transform their workforce into a source of completive advantage.

Stages of shifting of Personnel Management to HRM:

First, HRM earlier reacted piece-meal to problems as they arose. Effective HRM seeks to link HRM issues to the overall strategy of the organization, with the most effective HRM policies and practices integrated into such corporate policies and strategies to reinforce or change an organization's culture. Integration is needed in two senses - integrating HRM issues in an organization's strategic plans and securing the acceptance and inclusion of a HRM view in the decisions of line managers. The HRM policies in respect of the various functions (e.g. recruitment, training, etc.) should be internally consistent. They must also be consistent with the business strategies and should reflect the organization's core values. The problem of integrating HRM view business strategy arises, for example, in a diversified enterprise with different products and markets. In such cases it is difficult to match HRM policies with strategies that could vary among different business activities, each of which may call for different HRM policies.

Second, building strong cultures is a way of promoting particular organizational goals, in that "a 'strong culture' is aimed at uniting employees through a shared set of managerially sanctioned values ('quality', 'service', 'innovation' etc.) that assume an identification of employee and employer interests.
However, there can be tension between a strong organizational culture and the need to adapt to changed circumstances and to be flexible, particularly in the highly competitive and rapidly changing environment in which employers have to operate today. Rapid change demanded by the market is sometimes difficult in an organization with a strong culture. IBM has been cited as a case in point. Its firmly-held beliefs about products and services made it difficult for it to effect changes in time, i.e. when the market required a radical change in product and service (from mainframe, customized systems, salesmen as management consultants to customer-as-end-user, seeking quality of product and service) to personal computers (standardized product, cost competition, dealer as customer). Nevertheless, in the long term a strong organizational culture is preferable to a

Third, the attitude that people are a variable cost is, in effective HRM, replaced by the view that people are a resource and that as social capital can be developed and can contribute to competitive advantage. Increasingly, it is accepted that competitive advantage is gained through well-educated and trained, motivated and committed employees at all levels. This recognition is now almost universal, and accounts for the plausible argument that training and development are, or will be, the central pillar of HRM.

Fourth, the view that the interests of employees and management or shareholders are divergent and confliction - though substantially true in the past - is giving way to the view that this need not necessarily be so. As organization, which practices, effective HRM seeks to identify and promote a commonality of interests. Significant examples are training which enhances employment security and higher earning capacity for employees while at the same time increasing the employee's value to the enterprise's goals of better productivity and performance; pay systems which increase earnings without significant labor cost increases, and which at the same time promote higher performance levels; goal-setting through two-way communication which establishes unified goals and objectives and which provides intrinsic rewards to the employee through a participatory process.

Fifth, top-down communication coupled with controlled information flow to keep power within the control of management giving way to a sharing of information and knowledge. This change facilitates the creation of trust and commitment and makes knowledge more productive. Control from the top is in effective HRM being replaced by increasing employee participation and policies, which foster commitment and flexibility that help organizations to change when necessary. The ways in which the larger Japanese enterprises have installed participatory schemes and introduced information-sharing and two-way communication systems are instructive in this regard.

In enterprises that tend to have corporate philosophies or missions, and where there are underlying values that shape their corporate culture, HRM becomes a part of the strategy to achieve their objectives. In some types of enterprises such as ones in which continuous technological change takes place, the goal of successfully managing change at short intervals often requires employee cooperation through emphasis on communication and involvement. As this type of unit grows, "If there is strategic thinking in human resource management these units are likely to wish to develop employee-relations policies based on high individualism paying above market rates to recruit and retain the best labor, careful selection and recruitment systems to ensure high quality and skill potential, emphasis on internal training schemes to develop potential for further growth, payment system designed to reward individual performance and cooperation, performance and appraisal reviews, and strong emphasis on team work and communication ... In short, technical and capital investment is matched by human resource investments, at times reaching near the ideals of human resource management.

Shift of personnel management to HRM took place in three stages:

1. Records and Administration
2. Accountability Regulations
3. Competitive Advantage

1. Records and Administration

In first stage the primary activities, which were carried out by personnel department, were, Planning Company picnics Scheduling vacations, Enrolling workers for health-are coverage, Planning retirement parties These concerns include how to mange layoffs, address reduced employee loyalty, create a well trained highly motivated work force that can deliver higher quality and productivity, mange and increase diverse workforce and contain health care cost.

2. Accountability Regulations

During this stage primary framework of rules and regulations started emerging tin the organization. In 1970s, the job of the HR manger was to keep their companies out of court and in compliance with the increasing number of regulations governing the work place. In the 1980s HR mangers had to address staffing costs related to mergers and acquisitions and downsizing. The economic issues related to an increasingly global and completive workplace characterize the 1990s. Beside these concerns

3. Competitive Advantage

The aim of this shift stage is from merely securing compliance to the more ambitious one of winning commitment. The employee resource, therefore, becomes worth investing in, and training and development thus assume a higher profile. These initiatives are associated with, and maybe are even predicated upon, a tendency to shift from a collective orientation to the management of the workforce to an individualistic one. Accordingly management looks for 'flexibility' and seeks to reward differential performance in a differential way. Communication of managerial objectives and aspirations takes on a whole new importance. What separates or distinguishes HRM from the traditional personnel function is the integration of HRM into strategic management and the pre-occupation of HRM with utilizing the human resource to achieve strategic management objectives. HRM "seeks to eliminate the mediation role and adopts a generally unitary perspective. It emphasizes strategy and planning rather than problem solving and mediation, so that employee cooperation is delivered by programme of corporate culture, remuneration packaging, and team building and management development for core employees, while peripheral employees are kept at arm's length.

HRM strategies may be influenced by the decisions taken on strategy (the nature of the business currently and in the future) and by the structure of the enterprise (the manner in which the enterprise is structured or organized to meet is objectives). In an enterprise with effective HRM polices and practices, the decisions on HRM are also strategic decisions influenced by strategy and structure, and by external factors such as trade unions, the labor market situation and the legal system. In reality most firms do not have such a well thought out sequential HRM model. But we are considering here is also effective HRM, and thus a model where HRM decisions are as strategic as the decisions on the type of business and structure.

At a conceptual level the interpretations of HRM indicate different emphases, which lead to concentration on different contents of the discipline. The various distinctions or interpretations indicate that HRM "Can be used in a restricted sense so reserving it as a label only for that approach to labor management which treats labor as a valued asset rather than a variable cost and which accordingly counsels investment in the labor resource through training and development and through measures designed to attract and retain a committed workforce. Alternatively it is sometimes used in an extended way so as to refer to a whole array of recent managerial initiatives including measures to increase the flexible utilization of the labor resource and other measures, which are largely directed at the individual employee. But another distinction can also be drawn. This directs attention to the 'hard' and 'soft' versions of HRM. The 'hard' one emphasizes the quantitative, calculative and business-strategic aspects of managing the headcounts resource in as 'rational' a way as for any other economic factor. By contrast, the 'soft' version traces its roots to the human-relations school; it emphasizes communication, motivation, and leadership. There are several ways in which HRM has changed earlier attitudes and assumptions of personnel management about managing people. The new model of HRM includes many elements vital to the basic management goal of achieving and maintaining competitiveness.

LESSON 7

HRM IN A CHANGING ENVIRONMENT

After studying this chapter, students should be able to understand the following concepts:

A. **HRM in a Changing Environment**
B. **New trends at work place**

LESSON OVERVIEW

This lecture will primarily help students who intend to be managers, deal effectively with the challenges of managing people. Firms that deal with these challenges effectively are likely to outperform those that do not. These challenges may be categorized according to their primary focus: the environment, the organization, or the individual.

A. HRM in a Changing Environment: The Challenges

Today's organizations are facing challenges upon following levels:

i. Environmental Challenges
ii. Organizational Challenges
iii. Individual Challenges

i. Environmental Challenges

Environmental challenges refer to forces external to the firm that are largely beyond management's control but influence organizational performance. They include: rapid change, the internet revolution, workforce diversity, globalization, legislation, evolving work and family roles, and skill shortages and the rise of the service sector.

Six important environmental challenges today are:

a) Rapid change,
b) Work force diversity,
c) Globalization,
d) Legislation,
e) Technology
f) Evolving work and family roles,
g) Skill shortages and the rise of the service sector

a) Rapid Change

Many organizations face a volatile environment in which change is nearly constant. If they are to survive and prosper, they need to adapt to change quickly and effectively. Human resources are almost always at the heart of an effective response system. Here are a few examples of how HR policies can help or hinder a firm grappling with external change:

b) Work Force Diversity.

All these trends present both a significant challenge and a real opportunity for managers. Firms that formulate and implement HR strategies that capitalize on employee diversity are more likely to survive and prosper.

c) Globalization.

One of the most dramatic challenges facing as they enter the twenty-first century is how to compete against foreign firms, both domestically and abroad. Many companies are already being compelled to think globally, something that doesn't come easily to firms long accustomed to doing business in a large and expanding domestic market with minimal foreign competition.

Weak response to international competition may be resulting in upwards layoffs in every year. Human resources can play a critical role in a business's ability to compete head-to-head with foreign producers. The implications of a global economy on human resource management are many. Here are a few examples:

Worldwide company culture

Some firms try to develop a global company identity to smooth over cultural differences between domestic employees and those in international operations. Minimizing these differences increases cooperation and can have a strong impact on the bottom line. For instance, the head of human resources at the European division of Colgate Palmolive notes, "We try to build a common corporate culture. We want them all to be Colgate's."

Global alliances"

Some firms actively engage in international alliances with foreign firms or acquire companies overseas to take advantage of global markets. Making such alliances work requires a highly trained and devoted staff. For instance, Phillips (a Netherlands lighting and electronics firm) became the largest lighting manufacturer in the world by establishing a joint venture with AT&T and making several key acquisitions.

These illustrations show how firms can use HR strategies to gain a worldwide competitive advantage.

d) Legislation

Much of the growth in the HR function over the past three decades may be attributed to its crucial role in keeping the company out of trouble with the law. Most firms are deeply concerned with potential liability resulting from personnel decisions that may violate laws enacted by the state legislatures, and/or local governments. These laws are constantly interpreted in thousands of cases brought before government agencies, federal courts, state courts, and t Supreme Court.

How successfully a firm manages its human resources depends to a large extent on its ability to deal effectively with government regulations. Operating within the legal framework requires keeping track of the external legal environment and developing internal systems (for example, supervisory training and grievance procedures) to ensure compliance and minimize complaints. Many firms are now developing formal policies on sexual harassment and establishing internal administrative channels to deal with alleged incidents before employees feel the need to file a lawsuit.

Legislation often has a differential impact on public- and private sector organizations. (Public sector is another term for governmental agencies; private sector refers to all other types of organizations.) Some legislation applies only to public-sector organizations. For instance, affirmative action requirements are typically limited to public organizations and to organizations that do contract work for them. However, much legislation applies to both public- and private sector organizations. In fact, it's difficult to think of any HR practices that are not influenced by government regulations.

e) Technology

The world has never before seen such rapid technological changes as are presently occurring in the computer and telecommunications industries. One estimate is that technological change is occurring so rapidly that individuals may have to change their entire skills three or four times in their career. The advances being made, affect every area of a business including human resource management.

f) Evolving Work and Family Roles

The proportion of dual-career families, in which both wife and husband (or both members of a couple) work, is increasing every year. Unfortunately, women face the double burden of working at home and on the job, devoting 42 hours per week on average to the office and an additional 30 hours at home to children. This compares to 43 hours spent working in the office and only 12 hours at home for men.

More and more companies are introducing "family-friendly" programs that give them a competitive advantage in the labor market. These programs are HR tactics that companies use to hire and retain the best-qualified employees, male or female, and they are very likely to payoff. For instance, among the well known organizations / firms, half of all recruits are women, but only 5% of partners are women. Major talent is being wasted as many women drop out after lengthy training because they have decided that the demanding 10- to 12-year partner track requires a total sacrifice of family life. These firms have started to change their policies and are already seeing gains as a result. Different companies have recently begun offering child-care and eldercare referral services as well to facilitate women workers as well as are introducing alternative scheduling to allow employees some flexibility in their work hours.

g) Skill Shortages and the Rise of the Service Sector.

Expansion of service-sector employment is linked to a number of factors, including changes in consumer tastes and preferences, legal and regulatory changes, advances in science and technology that have eliminated many manufacturing jobs, and changes in the way businesses are organized and managed.

Service, technical, and managerial positions that require college degrees will make up half of all manufacturing and service jobs by 2000. Unfortunately, most available workers will be too unskilled to fill those jobs. Even now, many companies complain that the supply of skilled labor is dwindling and that they must provide their employees with basic training to make up for the shortcomings of the public education system. To rectify these shortcomings, companies currently spend large amount year on a wide variety of training programs.

ii. Organizational Challenges

Organizational challenges refer to concerns that are internal to the firm. However, they are often a byproduct of environmental forces because no firm operates in a vacuum. These issues include: competitive position (cost, quality, and distinctive capability), decentralization, downsizing, organizational restructuring, self-managed work teams, small businesses, organizational culture, technology, and outsourcing.

Organizational challenges are concerns or problems internal to a firm. They are often a byproduct of environmental forces because no firm operates in a vacuum. Still, managers can usually exert much more control over organizational challenges than over environmental challenges. Effective managers spot organizational issues and deal with them before they become major problems. One of the themes of this text is proactively: the need for firms to take action before problems get out of hand. Only managers who are well informed about important HR issues and organizational challenges can do this. These challenges include the need for a competitive position and flexibility, the problems of downsizing and organizational restructuring, the use of self-managed work teams, the rise of small businesses, the need to create a strong organizational culture, the role of technology, and the rise of outsourcing.

An organization will outperform its competitors if it effectively utilizes its work force's unique combination of skills and abilities to exploit environmental opportunities and neutralize threats. HR policies can influence an organization's competitive position by

a) Controlling costs,
b) Improving quality, and
c) Creating distinctive capabilities
d) Restructuring

a) Controlling costs

One way for a firm to gain a competitive advantage is to maintain low costs and a strong cash flow. A compensation system that uses innovative reward strategies to control labor costs can help the organization grow. A well-designed compensation system rewards employees for behaviors that benefit the company.

Other factors besides compensation policies can enhance a firm's competitiveness by keeping labor costs under control. These include: better employee selection so that workers are more likely to stay with the company and to perform better while they are there, training employees to make them more efficient and productive; attaining harmonious labor relations); effectively managing health and safety issues in the workplace and structuring work to reduce the time and resources needed to design, produce, and deliver products or services

b) Improving quality.

The second way to gain a competitive advantage is to engage in continuous quality improvement. Many companies are implementing total quality management (TQM) initiatives, which are programs designed to improve the quality of all the processes that lead to a final product or service. In a TQM program, every aspect of the organization is oriented toward providing a quality product or service.

c) Creating Distinctive Capabilities

The third way to gain a competitive advantage is to utilize people with distinctive capabilities to create unsurpassed competence in a particular area (for example, 3M's competence in adhesives, Carlson Corporation's leading presence in the travel business, and Xerox's dominance of the photocopier market).

d) Restructuring

A number of firms are changing the way the functions are performed. For example, some companies are restructuring HR for reasons such as time pressures, financial considerations, and market pressures. This restructuring often results in a shift in terms of who performs each function. Organizations still perform the majority of a firm's HR functions inside the firm.

Adjusting to HR restructuring trends—who performs the human resource management tasks? The traditional human resource manager continues to be in place in most organizations, but some organizations are also using shared service centers, outsourcing, and line managers to assist in the delivery of human resources to better accomplish organizational objectives. Additionally, the size of some HR departments is getting smaller because certain functions are now being accomplished by others. This shift permits the HR managers to focus on more strategic and mission-oriented activities.

i. **The Human Resource Manager--**An individual who normally acts in an advisory or staff capacity, working with other managers to help them deal with human resource matters. One general trend is that HR personnel are servicing an increasing number of employees. The human resource manager is primarily responsible for coordinating the management of human resources to help the organization achieve its goals. There is a shared responsibility between line managers and human resource professionals.

ii. **Shared Service Centers**—Take routine, transaction-based activities that are dispersed throughout the organization and consolidate them in one place.

iii. **Outsourcing Firms**—The process of transferring responsibility for an area of service and its objectives to an external provider. The main reason for this movement was to reduce transaction time, but other benefits include cost reductions and quality improvements. Companies found that administrative, repetitive tasks are often performed in a more cost-effective manner by external sources.

iv. **Line Managers**—Line managers, by the nature of their jobs, are involved with human resources. Line managers in certain firms are being used more to deliver HR services. When implemented, this change reduces the size of the HR department.

v. **Decentralization**: In the traditional organizational structure, most major decisions are made at the top and implemented at lower levels. It is not uncommon for these organizations to centralize major functions, such as human resources, marketing, and production, in a single location (typically corporate headquarters) that serves as the firm's command center. Multiple layers of management are generally used to execute orders issued at the top and to control the lower ranks from above. Employees who are committed to the firm tend to move up the ranks over time in what some have called the *internal labor market*. However, the traditional top-down form of organization is quickly becoming obsolete, both because it is costly to operate and because it is too inflexible to compete effectively. It is being replaced by decentralization, which transfers responsibility and decision-making authority from a central office to people and locations closer to the situation that demands attention. HR strategies can play a crucial role in enhancing organizational flexibility by improving decision-making processes within the firm. The need for maintaining or creating organizational flexibility in HR strategies is addressed in several chapters of this book, including those dealing with work flows, compensation and training.

vi. **Downsizing –** Periodic reductions in a company's work force to improve its bottom line-often called downsizing-are becoming standard business practice, even among firms that were once legendary for their "no layoff' policies, such as AT&T, IBM, Kodak, and Xerox. In addition to fostering a lack of emotional commitment, transient employment relationships create a new set of challenges for firms and people competing in the labor market, as well as for government agencies that must deal with the social problems associated with employment insecurity (including loss of health insurance and mental illness). However, the good news for laid-off employees is that the poor-performance stigma traditionally attached to being fired or laid off is fading.

iii. Individual Challenges

Human resource issues at the individual level address concerns that are most pertinent to decisions involving specific employees. These issues almost always reflect what is happening in the larger organization. How individuals are treated also is likely to have an effect on organizational issues. For instance, if many key employees leave a firm to join its competitor, it will affect the competitive posture of the firm. The individual issues include matching people and organization, ethics and social responsibility, productivity, empowerment, brain drain, and job insecurity.

Human resource issues at the individual level address the decisions most pertinent to specific employees. These individual challenges almost always reflect what is happening in the larger organization. For instance, technology affects individual productivity; it also has ethical ramifications in terms of how information is used to make HR decisions (for example, use of credit or medical history data to decide whom to hire). How the company treats its individual employees is also likely to affect the organizational challenges we discussed earlier. For example, if many key employees leave the firm to join competitors, the organization's competitive position is likely to be affected. In other words, there is a two-way relationship between organizational and individual challenges. This is unlike the relationship between environmental and organizational challenges, in which the relationship goes only one way few organizations can have much impact on the environment. The most important individual challenges today involve, productivity, ethics and social responsibility, productivity, empowerment, brain drain, job security and matching people and organizations. Here we discuss each of them…

a. **Productivity** is a measure of how much value individual employees add to the goods or services that the organization produces. The greater the output per individual, the higher the organization's productivity. Two important factors that affect individual productivity are ability and motivation. Employee ability, competence in performing a job, can be improved through a hiring and placement process that selects the best individuals for the job. It can also be improved through training and career development programs designed to sharpen employees' skills and prepare them for additional responsibilities. Motivation refers to a person's desire to do the best possible job or to exert the maximum effort to perform assigned tasks. Motivation energizes, directs, and sustains human behavior. A growing number of companies recognize that employees are more likely to choose a firm and stay there if they believe that it offers a high quality of work life (QWL).

b. **Empowerment –** In recent years many firms have reduced employee dependence on superiors and placed more emphasis on individual control over (and responsibility for) the work that needs to be done. This process has been labeled empowerment because it transfers direction from an external source (normally the immediate supervisor) to an internal source (the individual's own desire to do well). In essence, the process of empowerment entails providing workers with the skills and authority to make decisions that would traditionally be made by managers. The goal of empowerment is an organization consisting of enthusiastic, committed people who perform their work ably because they believe in it and enjoys doing it *(internal control)*. This situation is in stark contrast to an organization that gets people to work as an act of compliance to avoid punishment (for example, being fired) or to qualify for a paycheck *(external control)*.

c. **Brain Drain -** With organizational success more and more dependent on knowledge held by specific employees, companies are becoming more susceptible to brain drain-the loss of intellectual property that results when competitors lure away key employees. High-Tec firms are particularly vulnerable to this problem. Such important industries as semiconductors and electronics suffer from high employee turnover as key employees, inspired by the potential for huge profits, leave established firms to start their own businesses. This brain drain can negatively affect innovation and cause major delays in the introduction of new products. To make matters worse, departing employees, particularly those in upper management, can wreak considerable havoc by taking other talent with them when they leave. To combat the problem of defection to competitors, some firms are crafting elaborate ant defection devices. For example, Compaq computer has introduced a policy that revokes bonuses and other benefits to key executives if they take other employees with them when they quit. Micron Technology staggers key employees' bonuses; they lose un-awarded portions when they leave.

d. **Ethics and Social Responsibility –** Corporate social responsibility refers to the extent to which companies should and do channel resources toward improving one or more segments of society other than the firm's owners or stockholders. Ethics is the bedrock of socially responsible behavior. People's expectations that their employers will behave ethically are increasing, so much that many firms and professional organizations have created codes of ethics outlining principles and standards of personal conduct for their members. Unfortunately, these codes often do not meet employees' expectations of ethical employer behavior. These negative perceptions have worsened over the years. In a recent poll of *Harvard Business Review* readers, almost half the respondents indicated their belief that managers do not consistently make ethical decisions. The widespread perceptions of unethical behavior may be attributed to the fact that managerial decisions are rarely clear-cut. Except in a few blatant cases (such as willful misrepresentation), what is ethical or unethical is open to debate. Even the most detailed codes of ethics are still general enough to allow much room for managerial discretion. In other words, many specific decisions related to the management of human resources are subject to judgment calls. A company that exercises *social responsibility* attempts to balance its commitments-not only to its investors, but also to its employees, its customers, other businesses, and the community or communities in which it operates. For example, McDonald's established Ronald McDonald houses several years ago to provide lodging for families of sick children hospitalized away from home. Sears and General Electric support artists and performers, and many local merchants support local children's sports teams.

e. **Job Insecurity –** In this era of downsizing and restructuring, many employees fear for their jobs. For most workers, being able to count on a steady job and regular promotions is a thing of the past. Even the most profitable companies have laid off workers. Companies argue that regardless of how well the firm is doing, layoffs have become essential in an age of cutthroat competition. In addition, the stock market often looks favorably on layoffs. For employees, however, chronic job insecurity is a major source of stress and can lead to lower performance and productivity. Though union membership has been declining in recent years, many workers still belong to unions, and job security is now a top union priority. In return for job security, though, many union leaders have had to make major concessions regarding pay and benefits.

f. **Matching People and Organizations Research** suggests that HR strategies contribute to firm performance most when the firm uses these strategies to attract and retain the type of employee who best fits the firm's culture and overall business objectives. For example, one study showed that the competencies and personality characteristics of top executives could hamper or improve firm performance, depending on what the firm's business strategies are. Fast-growth firms perform better with managers who have a strong marketing and sales background, who are willing to take risks, and who have a high tolerance for ambiguity. However, these managerial traits actually reduce the performance of mature firms that have an established product and are more interested in maintaining (rather than expanding) their market share. Other research has shown that small high-tech firms benefit by hiring employees who are willing to work in an atmosphere of high uncertainty, low pay, and rapid change in exchange for greater intrinsic satisfaction and the financial opportunities associated with a risky but potentially very lucrative product launch

B. New Trends at Work Place:

a. Education
b. Work time
c. Standard of living
d. Expectations & demand
e. Diversity and gender issues at work place
f. QWL
g. TQM

The past two decades have witnessed a dramatic transformation in how firms are structured. Tall organizations that had many management levels are becoming flatter as companies reduce the number of people between the chief executive officer (CEO) and the lowest-ranking production employee in an effort to become more competitive. This transformation has had enormous implications for the effective utilization of human resources. Since the late 1980s, many companies have instituted massive layoffs of middle managers, whose traditional role of planning, organizing, implementing, and controlling has come to be equated with the kind of cumbersome bureaucracy that prevents businesses from responding to market forces. It is estimated that two thirds of the jobs eliminated in the 1990s were supervisory/middle management jobs. New relationships among firms are also fostering hybrid organizational structures and the blending of firms with diverse histories and labor forces. Mergers and acquisitions, in which formerly independent organizations come together as a single entity, represent two important sources of restructuring. A newer and rapidly growing form of inter organizational bonding comes in the form of joint ventures, alliances, and collaborations among firms that remain independent, yet work together on specific products to spread costs and risks. To be successful, organizational restructuring requires effective management of human resources. For instance, flattening the organization requires careful examination of staffing demands, workflows, communication channels, training needs, and so on. Likewise, mergers and other forms of inter organizational relations require the successful blending of dissimilar organizational structures, management practices, technical expertise, and so forth…

a. **Education:** Now a day organizations are available with the opportunity of having more knowledge and skilled workers, increase in the education level of society's continuously providing the highly educated work force in the organizations.

b. Work time: Flextime—the practice of permitting employees to choose, with certain limitations, their own working hours. Compressed Workweek—any arrangement of work hours that permits employees to fulfill their work obligation in fewer days than the typical five-day workweek. This approach adds many highly qualified individuals to the labor market by permitting both employment and family needs to be addressed.

c. **Standard of living:** High employment rate, low inflation and Steady economic growth provide opportunity and rising living standards. Technological advance has enabled the world's population to grow with improved living standards for most.

d. **Expectations & demand:** People's expectations that their employers will behave ethically are increasing, so much that many firms and professional organizations have created codes of ethics outlining principles and standards of personal conduct for their members. Unfortunately, these codes often do not meet employees' expectations of ethical employer behavior. These negative perceptions have worsened over the years.

e. **Diversity and gender issues at work place:** Managing diversity means planning and implementing organizational systems and practices to manage people so that the potential advantages of diversity are maximized while its potential disadvantages are minimized. Managers are striving for racial, ethnic, and sexual workplace balance as a matter of economic self-interest. A study found that cultural diversity contributes to improved productivity, return on equity, and market performance.

f. **QWL:** High quality of work life is related to job satisfaction, which in turn is a strong predictor of absenteeism and turnover. A firm's investments in improving the quality of work life also payoff in the form of better customer service. We discuss issues covering job design and their effects on employee attitudes and behavior.

g. **TQM:** Many companies are implementing total quality management (TQM) initiatives, which are programs designed to improve the quality of all the processes that lead to a final product or service. In a TQM program, every aspect of the organization is oriented toward providing a quality product or service

Key Terms

Brain Drain	The loss of intellectual property that results when competitors lure away key employees.
Downsizing	Periodic reductions in a company's work force to improve its bottom line-often called downsizing.
Ethics and Social Responsibility	Corporate social responsibility refers to the extent to which companies should and do channel resources toward improving one or more segment of society other than the firm's owners or stockholders. Ethics is the bedrock of socially responsible behavior.
Outsourcing Firms	The process of transferring responsibility for an area of service and its objectives to an external provider.
Restructuring	A number of firms are changing the way the functions are performed. OR Restructuring is the corporate management term for the act of partially dismantling and reorganizing a company for the purpose of making it more efficient and therefore more profitable. It generally involves selling off portions of the company and making severe staff reductions.
Re-engineering	The radical redesign of an organization's processes, especially its business processes. Rather than organizing a firm into functional specialties (like production, accounting, marketing, etc.) and looking at the tasks that each function performs, we should, according to the reengineering theory, be looking at complete processes from materials acquisition, to production, to marketing and distribution. The firm should be re-engineered into a series of processes.

LESSON 8

WORK PLACE DIVERSITY

After studying this chapter, students should be able to understand the following concepts:

A. **Work Force Diversity**
B. **Sources of work force diversity**
C. **Managing the diversified work force**

LESSON OVERVIEW

One of the greatest challenges facing organizations today is managing workforce diversity in a way that both respects the employees' unique attitudes and promotes a shared sense of corporate identity. This chapter explores the issues that are intrinsic to diversity management. In the United States, as abroad, the design and implementation of HR programs cannot ignore the diverse nature of the work force. Thus, by the end of this chapter the reader should have a better grasp of diversity issues and how to handle them successfully

A. Work Force Diversity



Any perceived difference among people: age, functional specialty, profession, sexual orientation, geographic origin, life style, tenure with the organization, or position. Diversity simply refers to human characteristics that make people different. The sources of individual variations are complex, but they can generally be grouped into two categories: those over which individuals have little or no control and those over which individuals have more control. Unless effectively managed, diversity among employees may have a negative impact on productive teamwork. Affirmative action is not diversity management. Affirmative action emerged from government pressure on business to provide greater opportunities for women and minorities. Managing diversity is an outgrowth of natural or environmental trends such as demographic changes and international competition. Moreover, diversity is considered an asset in terms of improving organizational functioning and reflecting the customer market.

B. Sources of work force Diversity

Today diversity refers to far more than skin color and gender. It is a broad term used to refer to all kinds of differences. These differences include women in business, dual-career families, workers of color, older workers persons with disabilities, immigrants, young persons with limited education or skills, educational level of employees.

i. Racial & Ethnical Groups
ii. Older Workers
iii. Gender
iv. Education
v. Dual-career Families
vi. Religions & Culture
vii. Persons with Disabilities
viii. Immigrants
ix. Young persons with limited education or skills
x. Competitive advantage though work force diversity
xi. Marketing
xii. Creativity, innovation, and problem solving
xiii. Flexibility

i. **Racial & Ethical Groups:** Workers of color often experience stereotypes about their group (Hispanics, African Americans, Asians, etc.). At times, they encounter misunderstandings and expectations based on ethnic or cultural differences.

ii. **Older Workers**—as the world population is growing older, a trend that is expected to continue through the year 2000. In addition, the trend toward earlier retirement appears to be reversing itself.

iii. **Gender (Women in Business):** Women represent almost 11.9 percent of corporate officers at largest companies. However, the number of women in entry and midlevel managerial positions has risen from 34 percent in 1983 to 46 percent in 1998, meaning many more women are in the pipeline to executive spots. Today, there are more than 9 million women-owned businesses, up from 400,000 in 1972. The number of nontraditional, single-parent households in the United States is growing. Because more than half of all marriages today end in divorce, this trend is expected to continue. Often, one or more children are involved. Of course, there are always widows and widowers who have children as well, and there are some men and women who choose to raise children outside of wedlock.

iv. **Education:** Another form of diversity that is now found in the workplace is that of the educational level of employees. The United States is becoming a bipolar country with regard to education, with a growing number of very educated people on one side and an alarming increase in the illiteracy rate on the other.

v. **Dual-Career Families:** The increasing number of dual-career families presents both challenges and opportunities for organizations. As a result of this trend, some firms have revised their policies against nepotism to allow both partners to work for the same company. Other firms have developed polices to assist the spouse of an employee who is transferred. When a firm wishes to transfer an employee to another location, the employee's spouse may be unwilling to give up a good position or may be unable to find an equivalent position in the new location. Some companies are offering assistance in finding a position for the spouse of a transferred employee.

vi. **Religion and Culture:** Due to globalization religion and culture based diversity is also increasing in organizations.

vii. **Persons with disabilities:** A handicap, or disability, limits the amount or kind of work a person can do or makes achievement unusually difficult. The Americans with Disabilities Act (ADA), passed in 1990, prohibits discrimination against *qualified individuals with disabilities*.

viii. **Immigrants:** Today the permitted level of legal immigration is increasing. Some are highly skilled and well educated, and others are only minimally qualified with little education. They have one thing in common—an eagerness to work. They have brought with them attitudes, values, and mores particular to their home-country cultures.

ix. **Young persons with limited education or skills:** Each year thousands of young, unskilled workers are hired, especially during peak periods, such as holiday buying seasons. In general, they have limited education—high school or less. More jobs can be *de-skilled*, making it possible for lower-skilled workers to do them.

x. **Competitive advantage through Work Force Diversity:** For many years' organizations, the original impetus to diversify their workforces was social responsibility and legal necessity. Morally ethically it was right to do so. Today many organizations are approaching diversity efforts from a moral practical, business oriented perspective,. Increasingly, diversity can be a powerful tool for building completive advantage. Companies with a reputation for providing opportunities for diverse workforce will have a completive advantage in a labor market and will be sought out by the most qualified employees, In addition when employee believe their differences are not merely tolerated but valued , they may become more loyal, productive and committed.

xi. **Marketing:** Companies are realizing that consumers, like the workforce, are changing demographically. Just as women and minorities may prefer to work for an employer that values diversity, they may prefer to patronize such organizations. A multicultural workforce can provide a company with greater knowledge of the preferences and consuming habits of thus market place. This knowledge can assist companies in designing products and developing market campaigns to meet those consumer needs. A diverse workforce can also give company competitive edge in a global economy by facilitating understanding of other customers, cultures, and market place needs.

xii. **Creativity, innovation, and problem Solving:** Work team diversity promotes creativity and innovation, because people from different backgrounds hold different perspective on issues. Diverse groups have a broader base of experience from which to approach problem; when effectively managed, they invent more options and create more solutions than homogeneous groups do. In addition, diverse workgroups are freer to deviate from traditional approaches and practices.

xiii. **Flexibility:** A diverse workforce can enhance organizational flexibility because successfully managing diversity requires a corporate culture that tolerates many different styles and approaches. Less restrictive polices and procedures and less standardized operating methods enable organization to become more flexible and thus better able to respond quickly to environmental changes.

xiv. **Diversity Management and Affirmative Action Programs:** We can define the workforce diversity management as set of activities involved in integrating diverse employees into the work force and using their diversity to the firm's competitive advantage

C. How organization Cultivate a Diverse Workforce:

An Organization's plans for becoming multicultural and making the most of its diverse workforce should include:

I. Securing top management support and Commitment
II. Organizational Assessment
III. Attracting employees
IV. Developing Employees
V. Retaining employees

I. Securing top management support and commitment: Obtaining top-level commitment and support is critical for diversity programs to succeed. One way to communicate this commitment to all employees as well as to the external environment is to incorporate the organization's attitudes toward diversity into the corporate mission statement and into strategic plans and objectives. Managerial compensation can be directly linked to accomplishing diversity objectives. Adequate funding must be allocated to diversity effort to ensure its success. Also, top management can set an example for other organization members by participating in diversity programs and making participation mandatory for all managers. Top management or diversity directors alone cannot do the work for managing diversity. Many companies rely on minority advisory groups or task forces to monitor organizational policies, practices, and attitudes; access their impact on the diverse groups within the organization; and provide feedback and suggestions to top management.

II. Organizational Assessment: The next step in managing diversity is to assess the organization's workforce, culture, policies, and practices in areas such as recruitment, promotions, benefits, and compensation. In addition, the demographics of the labor pool and the customer base should be evaluated. The objective is to identify problem areas and make recommendations where changes are needed.

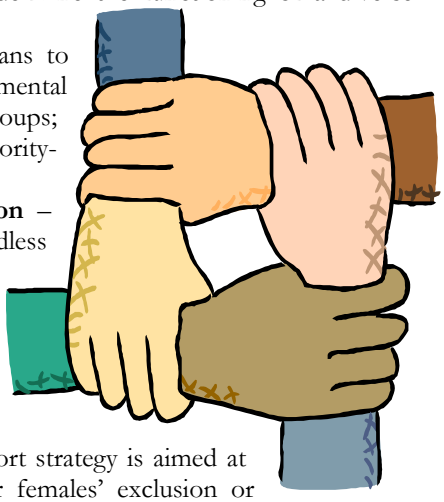
III. Attracting Employees: Companies can attract a diverse, qualified workforce through using effective recruiting process, accommodating employees' work and family needs, and offering alternative work arrangements.

IV. **Developing Employees:** Employees can be developed in a variety of ways. Here we will focus on skills training and diversity training.

V. **Retaining Employees:** As replacing qualified and experienced workers become more difficult and costly, retaining good workers will become much more important. A number of policies and strategy will increase retention of all employees, especially those who are "different" from the norm.

STEPS TOWARD MANAGEMENT OF DIVERSITY

a. **Managing Diversity** means taking steps to maximize diversity's potential advantages while minimizing the potential barriers, such as prejudices and bias that can undermine the functioning of a diverse workforce.



b. **Boosting Workforce Diversity** – Employers use various means to boost workforce diversity: start diversity programs; have departmental diversity meetings; form special networking and mentoring groups; and/or direct recruiting ads to one or more of the online minority-oriented job markets

c. **Equal Employment Opportunity Versus Affirmative Action** – Equal employment opportunity aims to ensure that anyone, regardless of race, color, sex, religion, national origin, or age, has an equal chance for a job based on his/her qualifications. Affirmative action goes beyond equal employment opportunity by requiring the employer to make an extra effort to recruit, hire, promote, and compensate those in protected groups to eliminate the present effects of past discrimination.

d. **Affirmative Action:** Two Basic Strategies – The good faith effort strategy is aimed at changing the practices that contributed to minority groups' or females' exclusion or underutilization. The quota strategy mandates bottom-line results through hiring and promotion restrictions.

Challenges in Managing Employee Diversity

Diversity offers opportunities as well as challenges. The challenges include appropriately valuing diversity, balancing individual needs and group fairness, dealing with resistance to change, ensuring group cohesiveness and open communication, avoiding employee resentment, keeping the focus on performance, retaining valued performers, and maximizing opportunity for all employees.

a. **Resistance to Change:** Although employee diversity is a fact of life, the dominant groups in organizations are still composed of white men.

b. **Segmented Communication Networks:** One study found that most communication within organizations occurs between members of the same sex and race. Therefore diversified workforce organization may face the challenge of segmented communication networks.

c. **Resentment:** Equal employment opportunity that can be defined as fairness of employment that is free from all sort of discrimination in majority of organizations was a forced change rather than a voluntary one.

d. **Backlash:** While women and minorities may view a firm's "cultural diversity policy" as a commitment to improving their chances for advancement, white men may see it as a threat.

- **How to avoid Backlash:** Many organizations that have instituted diversity programs have experienced adverse reactions from employee groups, particularly white men. Here are some guidelines for HR professionals and company managers who are attempting to manage diversity without adversity.
  i. Adopt an inclusive definition of diversity that addresses all kinds of differences among employees, including (but not limited to) race and gender.
  ii. Make sure that top management is not only committed to establishing a diversity program but also communicates that commitment directly to all employees
  iii. Involve everyone, including white men, in designing the diversity program.
  iv. Avoid stereotyping groups of employees, such as white men, when explaining cultural or ethnic differences
  v. Recognize and reward white men who are part of the solution rather than blaming men who are part of the problem.
  vi. Avoid one-time training efforts that stir up emotions without channeling them in productive directions. Use ongoing training that encompasses diversity as only one facet of needed change in the corporate culture.

e. **Retention:** The job satisfaction levels of women and minorities are often lower than those of white men.

f. **Competition for Opportunities:** As minority populations grow in the U.S., competition for jobs and opportunities is likely to become much stronger.

g. **Lower Cohesiveness:** Diversity can create a lack of cohesiveness. Cohesiveness' refers to how tightly knit the group is and the degree to which group members perceive, interpret and act on their environment in similar or mutually agreed upon ways. Because of their lack of similarities language, culture, and/ or experience, diverse workforce typically are less cohesive than homogeneous groups. Often mistrust, miscommunication, stress and attitudinal differences cohesiveness, which inurn can diminish productivity.

h. **Communication problem:** Perhaps the most common negative effect of diversity is communication problems. These difficulties include misunderstanding, inaccuracies, and slowness. speed is lost when not all group members are fluent in the same language or when additional time is required to explain things.

i. **Diversity also increases errors and misunderstandings.** Group members may assume they interpret things similarly when in fact they do not ,or they may disagree because of their different frames of references .

j. **Mistrust and tension:** People prefer to associate with others who are like themselves. This tendency often leads to mistrust and misunderstanding of those who are different because of lack of contact and low familiarity. it also causes stress and tension ,and reaching agreement on problems can be difficult.

k. **Stereotyping:** We learn to see the world in a certain way based on our backgrounds and experiences. Our interests, values and cultures act as filters and distort, block and select what we see and hear. We see and hear what we expect to see and hear. Group members often inappropriately stereotype their "different" colleagues rather than accurately perceiving and evaluating those individual's contributions, capabilities aspirations and motivations. Such stereotypes inurn affect how people employee stereotyped as unmotivated or emotional will be given less -stress – provoking jobs than their coworkers. Those job assignments will create frustrated employees, perhaps resulting in low commitment, higher turnover, and underused skills.

Key Terms

Affirmative Action: Steps that are taken for eliminating the present effects of past discrimination

Cohesiveness: Refers to how tightly knit the group is and the degree to which group members perceive, interpret and act on their environment in similar or mutually agreed upon

LESSON 9

FUNCTIONS AND ENVIRONMENT OF HRM

After studying this chapter, students should be able to understand the following concepts:

A. **Functions of Human Resource Management Department**
B. **Environmental Factors influencing HRM operations**

Human Resource Functions in Small Businesses

Some aspects of the human resource function may actually be more significant in smaller firms than in larger ones.

Human Resource Management Functions in Medium-Sized Firms

As firms grow and become more complex, the human resource function becomes more complex, and its function achieves greater importance. The basic purpose of human resource management remains the same, but the approach followed in accomplishing its objectives changes.

As a firm grows, a separate staff function may be required to coordinate human resource activities. In a larger firm, the person chosen to do so will be expected to handle most of the human resource activities. For a medium-sized firm, there is little specialization.

Traditional Human Resource Functions in a Large Firm

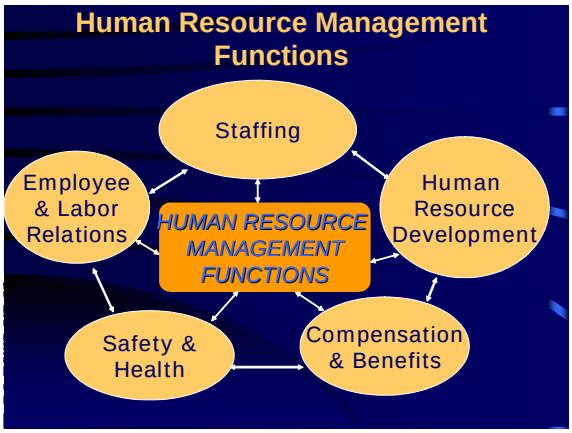
When the firm's human resource function becomes too complex for one person, separate sections are often created and placed under a human resource manager. These sections will typically perform tasks involving training and development, compensation and benefits, employment, safety and health, and labor relations.

AN EVOLVING HR ORGANIZATION FOR LARGE FIRMS

The HR organizational structure of large-sized firms changes as firms outsource, use company service centers, and evolve in other ways to make HR more strategic. Regardless of an organization's design, the five functional areas must still be accomplished. The organizational mission and corporate culture have a major impact in determining an appropriate HR organization.

A. Functions of HRM department:

a. **Staffing**



An organization must have qualified individuals, in specific jobs at specific places and times, in order to accomplish its goals. Obtaining such people involves job analysis, human resource planning, recruitment, and selection. *Job analysis* is the systematic process of determining the skills, duties, and knowledge required for performing specific jobs in an organization. *Human resource planning (HRP)* is the process of systematically reviewing human resource requirements to ensure that the required numbers of employees, with the required skills, are available when needed. *Recruitment* is the process of attracting such individuals in sufficient numbers and encouraging them to apply for jobs with the organization. *Selection* is the process through which the organization chooses, from a group of applicants, those individuals best suited both for open positions and for the company.

b. **Human Resource Development**

A major HRM function that consists not only of training and development but also individual career planning and development activities and performance appraisal, an activity that emphasizes T&D needs. *Training* is designed to provide learners with the knowledge and skills needed for their present jobs. *Development* involves learning that goes beyond today's job; it has a more long-term focus. Human resource development (HRD) helps individuals, groups, and the entire organization become more effective. It is essential because people, technology, jobs, and organizations are always changing.

Career planning is an ongoing process whereby an individual sets career goals and identifies the means to achieve them. Career development is a formal approach used by the organization to ensure that people with the proper qualifications and experiences are available when needed. Through performance appraisal, employees and teams are evaluated to determine how well they are performing their assigned tasks.

c. Compensation and Benefits

The term compensation includes all rewards that individuals receive as a result of their employment. The reward may be one or a combination of the following:

- *Pay*: The money that a person receives for performing a job.
- *Benefits*: Additional financial rewards other than base pay include paid vacations, sick leave, holidays, and medical insurance.
- *Non financial rewards*: Non monetary rewards, such as enjoyment of the work performed or a pleasant working environment.

d. Safety And Health

Safety involves protecting employees from injuries caused by work-related accidents. Health refers to the employees' freedom from illness and their general physical and mental well-being. These aspects of the job are important because employees who work in a safe environment and enjoy good health are more likely to be productive and yield long-term benefits to the organization.

e. Employee And Labor Relations

Since 1983, union membership has fallen approximately 8 percent, to only 13.9 percent of the workforce, the lowest level since the Great Depression. Subtracting government employees, unions represent only 9.5 percent of the private industry workforce. Even so, a business firm is required by law to recognize a union and bargain with it in good faith if the firm's employees want the union to represent them. In the past, this relationship was an accepted way of life for many employers. But most firms today would like to have a union-free environment.

f. Human Resource Research

Although human resource research is not listed as a separate function, it pervades all HRM functional areas, and the researcher's laboratory is the entire work environment.

g. Interrelationships of HRM Functions

All HRM functional areas are highly interrelated. Management must recognize that decisions in one area will affect other areas. The interrelationships among the five HRM functional areas will become more obvious as we address each topic throughout the book.

B. The Dynamic Human Resource Management Environment

Many interrelated factors affect human resource management. Such factors are part of either the firm's external environment or its internal environment. The firm often has little, if any, control over how the external environment affects management of its human resources. In addition, there are certain interrelationships that complicate the management of human resources.



I. External Environmental Factors

External Environmental factors Comprised of those factors that affect a firm's human resources from outside the organization's boundaries.

a. **The Labor Force**

The labor force is a pool of individuals external to the firm from which the organization obtains its workers. The capability of a firm's employees determines to a large extent how well an organization can perform its mission.

b. **Legal Considerations**

Another significant external force affecting human resource management relates to federal, state, and local legislation and the many court decisions interpreting this legislation. In addition, many presidential executive orders have had a major impact on human resource management.

c. **Society**

Society may also exert pressure on human resource management. If a firm is to remain acceptable to the general public, it must be capable of accomplishing its purpose in line with societal norms. Social responsibility is an implied, enforced, or felt obligation of managers, acting in their official capacities, to serve or protect the interests of groups other than themselves.

d. **Unions**

Union is a group of employees who have joined together for the purpose of dealing collectively with their employer. Although unions remain a powerful force, union membership as a percentage of the nonagricultural workforce slipped from 33 percent in 1955 to 9.5 percent today.

e. **Shareholders**

The owners of a corporation are concerned about shareholders. Because shareholders have invested money in a firm, they may at times challenge programs considered by management to be beneficial to the organization.

f. **Competition**

For a firm to succeed, grow, and prosper, it must be able to maintain a supply of competent employees. Other organizations are also striving toward that objective.

g. **Customers**

Because sales are critical to the firm's survival, management has the task of ensuring that its employment practices do not antagonize the members of the market it serves.

h. **Technology**

As technological changes occur, certain skills are no longer required. This necessitates some retraining of the current workforce. The trend toward a service economy also affects the type and amount of technology needed.

i. **The Economy**

The economy of the nation—on the whole—and of its various segments is a major environmental factor affecting human resource management. As a generalization, when the economy is booming, it is often more difficult to recruit qualified workers. On the other hand, when a downturn is experienced, more applicants are typically available.

THE EXTERNAL ENVIRONMENT: PROACTIVE VERSUS REACTIVE APPROACH

Managers approach changes in the external environment proactively or reactively.

a. **Proactive Response**

Proactive responsiveness involves taking action in anticipation of environmental changes.

b. **Reactive Response**

Reactive response involves simply reacting to environmental changes after they occur. Organizations exhibit varying degrees of proactive and reactive behavior.

II. The Internal Environment

Factors that affect a firm's human resources from inside its boundaries are termed as internal environmental factors. The primary internal factors include the firm's mission, policies, corporate culture, management style of upper managers, employees, the informal organization, other units of the organization, and unions.

a. Mission

the organization's continuing purpose or reason for being. Each management level should operate with a clear understanding of the firm's mission. In fact, each organizational unit (division, plant, and department) should clearly understand objectives that coincide with that mission.

b. Policies

A predetermined guide established to provide direction in decision making. As guides, rather than as hard-and-fast rules, policies are somewhat flexible, requiring interpretation and judgment in their use. They can exert significant influence on how managers accomplish their jobs.

c. Corporate Culture

The system of shared values, beliefs, and habits within an organization that interacts with the formal structure to produce behavioral norms, is known as Corporate culture.

d. **Management Style of Upper Managers**

Closely related to corporate culture is the way in which the attitudes and preferences of one's superiors affect how a job is done. This situation deserves special emphasis here because of the problems that can result if the managerial style of upper-level managers differs from that of lower-level managers.

e. **Employees**

Employees differ in many ways including their capabilities, attitudes, personal goals, and personalities. As a result, behavior that a manager finds effective with one worker may not be effective with another.

f. **Informal Organization**

the informal organization is the set of evolving relationships and patterns of human interaction within an organization that are not officially prescribed. Such informal relationships are quite powerful.

g. **Other Units of the Organization**

Managers must be keenly aware of interrelationships that exist among divisions or departments and should use such relationships to their best advantage.

h. **Labor-Management Agreement**

Upper management typically negotiates labor-management agreements, but managers throughout the organization must implement the terms of the agreements. In most instances, agreements place restrictions on the manager's actions.

C. MANAGING THE DIVERSE WORKFORCE

Any perceived difference among people: age, functional specialty, profession, sexual orientation, geographic origin, life style, tenure with the organization, or position.

a. **Single Parents and Working Mothers**

The number of nontraditional, single-parent households in the United States is growing. Because more than half of all marriages today end in divorce, this trend is expected to continue. Often, one or more children are involved. Of course, there are always widows and widowers who have children as well, and there are some men and women who choose to raise children outside of wedlock.

b. **Women In Business**

The number of women in entry and midlevel managerial positions has risen from 34 percent in 1983 to 46 percent in 1998, meaning many more women are in the pipeline to executive spots. Today, there are more than 9 million women-owned businesses, up from 400,000 in 1972.

c. **Dual-Career Families**

The increasing number of dual-career families presents both challenges and opportunities for organizations. As a result of this trend, some firms have revised their policies against nepotism to allow both partners to work for the same company. Other firms have developed polices to assist the spouse of an employee who is transferred. When a firm wishes to transfer an employee to another location, the employee's spouse may be unwilling to give up a good position or may be unable to find an equivalent position in the new location. Some companies are offering assistance in finding a position for the spouse of a transferred employee.

d. **Workers Of Color**

Workers of color often experience stereotypes about their group (Hispanics, African Americans, Asians, etc.). At times, they encounter misunderstandings and expectations based on ethnic or cultural differences.

e. **Older Workers**

The world population is growing older, a trend that is expected to continue through the year 2000. In addition, the trend toward earlier retirement appears to be reversing itself.

f. **Persons With Disabilities**

A handicap, or disability, limits the amount or kind of work a person can do or makes achievement unusually difficult.

g. **Young Persons With Limited Education Or Skills**

Each year thousands of young, unskilled workers are hired, especially during peak periods, such as holiday buying seasons. In general, they have limited education—high school or less. More jobs can be de-skilled, making it possible for lower-skilled workers to do them.

h. **Educational Level Of Employees**

Another form of diversity that is now found in the workplace is that of the educational level of employees. The United States is becoming a bipolar country with regard to education, with a growing number of very educated people on one side and an alarming increase in the illiteracy rate on the other.

i. Corporate Culture

Corporate Culture is the system of shared values, beliefs, and habits within an organization that interacts with the formal structure to produce behavioral norms. It is the pattern of basic assumptions, values, norms, and artifacts shared by organizational members.

Key Terms

Corporate Culture	The system of shared values, beliefs, and habits within an organization that interacts with the formal structure to produce behavioral norms.
Mission	The organization's continuing purpose or reason for being.
Policies	A predetermined guide established to provide direction in decision-making.
The Labor Force	The labor force is a pool of individuals external to the firm from which the organization obtains its workers.
Unions	Union is a group of employees who have joined together for the purpose of dealing collectively with their employer.

LESSON 10

LINE AND STAFF ASPECTS OF HRM

After studying this chapter, students should be able to understand the following concepts:

A. Line and Staff Aspects

LESSON OVERVIEW

After reading this chapter student should know the basic concept of authority, different types of the authority and difference between the line and staff managers. Although most firms have a human resource department with its own manager, all other managers tend to get involved in activities like recruiting, interviewing, selecting, and training.

A. Line and staff aspects of HRM

I. Authority

Authority is the right to make decisions, to direct the work of others, and to give orders.

Authority refers to the rights inherent in a managerial position to give orders and expect the orders to be obeyed. Authority was a major tenet of the early management writers, the glue that held the organization together. It was to be delegated downward to lower-level managers. Each management position has specific inherent rights that incumbents acquire from the position's rank or title.

Authority is related to one's position and ignores personal characteristics. When a position of authority is vacated, the authority remains with the position.

The early management writers distinguished between two forms of authority.

a. Line Authority
b. Staff Authority
c. Functional Authority

Let's have brief view about the different types of authorities.

a. Line Authority

Line authority entitles a manager to direct the work of an employee. It is the employer-employee authority relationship that extends from top to bottom. A line manager directs the work of employees and makes certain decisions without consulting anyone. Sometimes the term *line* is used to differentiate line managers from staff managers. Line emphasizes managers whose organizational function contributes directly to the achievement of organizational objectives.

b. Staff Mangers and Staff Authority

Staff managers have staff authority. A manager's function is classified as line or staff based on the organization's objectives. As organizations get larger and more complex, line managers find that they do not have the time, expertise, or resources to get their jobs done effectively. They create staff authority functions to support, assist, advice, and generally reduce some of the informational burdens they have.

c. Functional control

The authority exerted by a personnel manager as a coordinator of personnel activities. Here the manager acts as "the right arm of the top executive."

II. Line versus Staff Authority

1. **Line VS Staff Authority** – Authority is the right to make decisions, to direct the work of others, and to give orders. Line managers are authorized to direct the work of subordinates. Staff managers are authorized to assist and advise line managers in accomplishing their basic goals. HR managers are generally staff managers.
2. **Line Managers' HRM Responsibilities** – Most line managers are responsible for line functions, coordinative functions, and some staff functions.

III. Cooperative line and staff hr management:

In recruiting and hiring, it's generally the line manager's responsibility to specify the qualifications employees need to fill specific positions. Then the HR staff takes over. They develop sources of qualified applicants and conduct initial screening interviews. They administer the appropriate test. Then they refer the best applicants to the supervisor (line manager), who interviews and selects the ones he/she wants.

IV. Line Manager

Authorized to direct the work of subordinates—they're always someone's boss. In addition, line managers are in charge of accomplishing the organization's basic goals.

Line Managers' Human Resource Management Responsibilities

1. Placement
2. Orientation
3. Training
4. Improving job performance
5. Gaining creative cooperation
6. Interpreting policies and procedures
7. Controlling labor costs
8. Developing employee abilities
9. Creating and maintaining departmental morale
10. Protecting employees' health and physical condition

V. Staff Manager

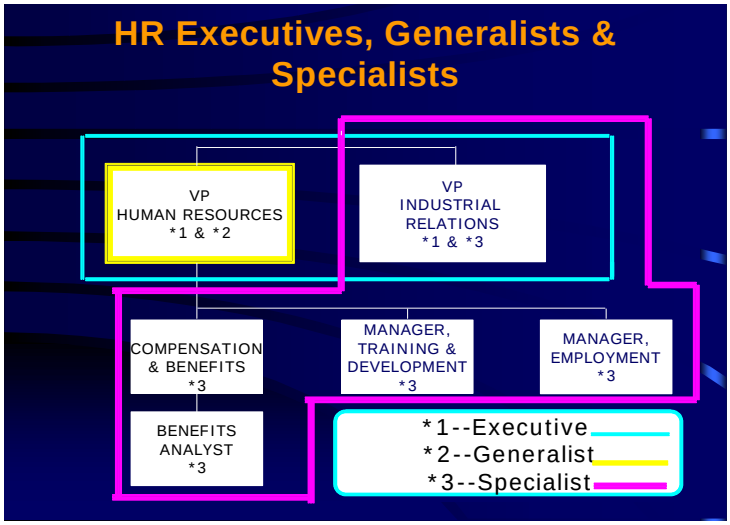
Authorized to assist and advise line managers in accomplishing these basic goals. HR managers are generally staff managers.

- **Responsibilities Of Staff Managers**

Staff managers assist and advise line managers in accomplishing these basic goals. They do, however, need to work in partnership with each other to be successful. Some examples of the HR responsibilities of staff managers include assistance in hiring, training, evaluating, rewarding, counseling, promoting, and firing of employees, and the administering of various benefits programs.

VI. Human Resource Manager:

An individual who normally acts in an advisory or staff capacity, working with other managers to help them deal with human resource matters. One general trend is that HR personnel are servicing an increasing number of employees. The human resource manager is primarily responsible for coordinating the management of human resources to help the organization achieve its goals. There is a shared responsibility between line managers and human resource professionals.



The recognition of HR as a legitimate business unit has made it highly strategic in nature and more critical to achieving corporate objectives. To succeed, HR executives must understand the complex organizational design and be able to determine the capabilities of the company's workforce, both today and in the future. HR involvement in strategy is necessary to ensure that human resources support the firm's mission. The future appears bright for HR managers willing to forge a strategic partnership with other business units.

VII. Distinguish among human resource executives, generalists, and specialists.

a. HR Executives

Executives are top-level managers, who report directly to the corporation's chief executive officer or the head of a major division.

b. HR Generalists:

Generalists are people who perform tasks in a wide variety of human resource-related areas. The generalist is involved in several, or all, of the human resource management functions.

c. HR Specialist:

Specialist may be a human resource executive, manager, or non-manager who typically is concerned with only one of the functional areas of human resource management.

Key Terms

Authority: Authority is the right to make decisions, to direct the work of others, and to give orders.

Executives: Executives are top-level managers, who report directly to the corporation's chief executive officer or the head of a major division.

Generalists: Generalists are people who perform tasks in a wide variety of human resource-related areas. The generalist is involved in several, or all, of the human resource management functions.

Line Authority: Line authority entitles a manager to direct the work of an employee.

Specialist: Specialist may be a human resource executive, manager, or non-manager who typically is concerned with only one of the functional areas of human resource management.

LESSON 11

LEGAL CONTEXT OF HR DECISIONS

After studying this chapter, students should be able to understand the following concepts:

A. Legal context of HR decisions

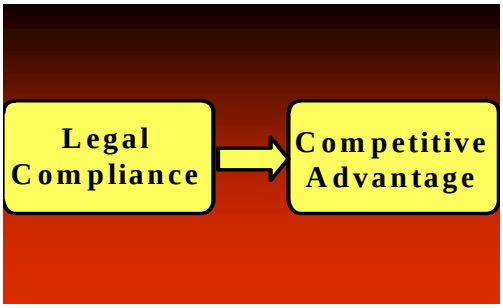
LESSON OVERVIEW

This chapter examines the aspects of HR law and regulations. The goal is to identify and discuss the laws themselves and how best to comply with them and do what is best for the organization. The chapter unveils why understanding the legal environment is important and the context in which HR regulation occurs. The chapter further explores the challenges to legal compliance. It ends with ways for the effective manager to avoid the pitfalls in the EEO legal environment.

A. Legal context of HR decisions

Legal considerations are significant external force affecting human resource management relates to federal, state, and local legislation and the many court decisions interpreting this legislation. In addition, many presidential executive orders have had a major impact on human resource management. If company is having compliance with the legal considerations it will be contribution towards enhancement of good will reputation as well as fair operations of the organization that will be leading towards attaining competitive advantage.

Keeping in view the importance of legal considerations mangers must understand the legal issues that affect the practices of HRM Like Which employee to hire?
How to compensate employees?
What benefits to offer?
How to handle conflicts?
How and when to fire employees? etc.



Why Understanding the Legal Environment is Important?

Understanding and complying with HR law is important for three reasons. It helps the company to do the right thing, to realize the limitations of the HR and legal departments, and it limits potential liability.

Doing the Right Thing

Compliance with the law is the right thing to do. The primary requirement of these laws is to mandate good management practice. Operating within these laws has benefits beyond simple legal compliance. Discriminatory practices not only create potential legal liability, but also lead to poor employee morale and low job satisfaction, which can lead to poor job performance.

Realizing the Limitations of the HR and Legal Departments

If managers make poor decisions, the HR department neither always be able to resolve the situation nor can a firm's legal department solve problems created by managers. The function of the legal department is to try to limit damage after it has already occurred.

Limiting Potential Liability

Considerable financial liabilities can occur when HR laws are broken or perceived to be broken.

Legal regulation of HRM

Legal environment and considerations can influence potential and prospective as well as current employees of the organization to Prospective Employees. It provides Protection from discrimination in selection, initial job placement, and initial compensation

Fair employment
A situation in which employment decisions are not affected by discrimination is termed as Fair employment.

Employment discrimination
To make an employment decision, not on the basis of legitimate job-related factors...Any employment decision: hiring, promotions, pay, discipline, etc fail to use job-related factors (e.g., essential job qualifications, job performance, etc.), and for employment decisions Instead, of legitimate factors employer uses false stereotypes and prejudices. Law Prohibits Discrimination in Hiring, Compensation, terms, conditions or privileges of employment based on Race, religion, color, sex, national origin and Physical Disability.

Laws affecting HRM:
The laws affecting HRM can be divided into two broad categories: equal employment opportunity (EEO) laws and other laws. The major EEO laws cut across nearly every aspect of managing human resources.

Equal Employment Opportunity (EEO)
The concept of equal employment opportunity has undergone much modification and fine-tuning since the passage of the Civil Rights Act in 1964. Congress has passed numerous amendments to that act and has passed other legislation, as oversights in the initial act surfaced. Major Supreme Court decisions interpreting the provisions of the act have also been handed down. Executive orders were signed into law that further strengthened equal employment opportunity. EEO is a combination of legislative and judicial policy set forth by federal, state, and local governments that ensures fair and equal treatment of all persons. Job applicants may not be rejected based on discriminatory practices

Affirmative action
A strategy intended to achieve fair employment by urging employers to hire certain groups of people who were discriminated against in the past Steps that are taken for the purpose of eliminating the present effects of past discrimination

Major Federal Laws (USA)
There have been many laws passed and court decisions rendered that affect the everyday actions of human resource management. Human resource decisions that were made in the past may no longer be feasible. Human resource managers have a responsibility to ensure that actions affecting human resource management adhere to both the letter and intent of the law. Unfortunately, not everyone may share this view, and that is when problems occur.

Equal Pay Act of 1963
This law requires the same pay for men and women who do the same job in the same organization. Basically this law provides protection against discrimination based upon sex.

Civil Rights Act of 1964 (CRA) Title VII
Amended by Civil Rights Act of 1991(Title VII of Civil Rights Act)
This act prohibits discrimination based on race, color, sex, religion, or national origin. The Civil Rights Act of 1991 amended the Civil Rights Act of 1964 and had the following purposes:

- To provide appropriate remedies for intentional discrimination and unlawful harassment in the workplace.
- To codify the concepts of *business necessity* and *job related* pronounced by the Supreme Court.
- To confirm statutory authority and provide statutory guidelines for the adjudication of disparate impacts under Title VII of the Civil Rights Act of 1964.
- To respond to recent decisions of the Supreme Court by expanding the scope of relevant civil rights statutes in order to provide adequate protection to victims of discrimination.

Age Discrimination in Employment Act of 1967 (ADEA)
The Age Discrimination in Employment Act (ADEA) (amended 1978, 1986) prohibits employers from discriminating against individuals who are over 40 years of age. The latest amendment not only gives older employees the option to continue working past age 70, but the health care provision of the amendment also provides them with an additional incentive to continue to do so. The ADA has three major sections. Title I contains the employment provisions. Titles II and III concern the operation of state and local governments and places of public accommodation such as hotels, restaurants, and grocery stores.

1. Individuals with disabilities
2. Essential Functions
3. Reasonable accommodation
4. The Vocational Rehabilitation Act of 1973

THE AMERICANS WITH DISABILITIES ACT (ADA)
The Americans with Disabilities Act (ADA), passed in 1990, prohibits discrimination against qualified individuals with disabilities. Persons discriminated against because they have a known association or relationship with a disabled individual also is protected.

EXECUTIVE ORDER 11246, AS AMENDED BY EO 11375
An executive order (EO) is a directive issued by the president and has the force and effect of laws enacted by Congress. A major provision of EO 11246 is that every executive department and agency that administers a program involving federal financial assistance will require adherence to a policy of nondiscrimination in employment as a condition for the approval of a grant, contract, loan, insurance, or guarantee. Affirmative action, stipulated by EO 11246, requires employers to take positive steps to ensure employment of applicants and treatment of employees during employment without regard to race, creed, color, or national origin

Affirmative Action
An approach that an organization with government contracts develops to demonstrate that women or minorities are employed in proportion to their representation in the firm's relevant labor market Executive Orders 11246 & 11375 require companies with federal contracts to develop affirmative action plans (AAPs) it provides preferential treatment to minority group members in functions like Recruiting and Hiring
The three steps involved in developing an affirmative action program are (1) conducting a utilization analysis, (2) establishing goals and timetables, and (3) determining action options. In the first phase, organizations need to consider different pieces of information, which constitute an availability analysis after they have conducted a utilization analysis. Rather, the employer should take into consideration the size of the underutilization, how fast the work force turns over, and whether the work force is growing or contracting. In the third phase, the companies recruit protected-class members, redesign jobs, provide specialized training, and remove unnecessary employment barriers.

Challenges to Legal Compliance:

HRM practices may be challenged by anyone of stakeholders like society, community, customers, employees and shareholders so management for every decision should have legal backing in order to defend and explain its decisions. A firm's HR department has considerable responsibilities with respect to human resource law. However, if managers make poor decisions, the HR department will not always be able to resolve the situation. The manager's job is to prevent the damage from happening in the first place. Thus, understanding and complying with HR law helps the manager to do the right thing, realize the limitations of the HR and legal departments, and minimize potential liability. A dynamic legal landscape, complex laws, conflicting strategies for fair employment, and unintended consequences are among the challenges confronting managers attempting to comply with HR law.

A Dynamic Legal Landscape
In addition to the many HR related laws that have been passed, there have been a myriad of opinions handed down in court cases that have affected the HR legal environment. The legal landscape is changing quickly.

The Complexity of Laws
Each individual law is accompanied by a set of regulations that can be quite lengthy. Nonetheless, the gist of most HR law is fairly straightforward. Managers should be able to understand the basic intention of all such laws without too much difficulty.

Conflicting Strategies for Fair Employment
Society at large, political representatives, government employees, and judges all has different views regarding the best ways to achieve equitable HR laws.

Unintended Consequences
It is very common for a law, government program, or an organizational policy to have numerous unanticipated consequences, some of which turn out to be quite negative. The challenge to managers is to anticipate and deal with both the intended and unintended consequences of law.

Key Terms

Affirmative Action: An approach that an organization with government contracts develops to demonstrate that women or minorities are employed in proportion to their representation in the firm's relevant labor market

Employment discrimination: To make an employment decision, not on the basis of legitimate job-related factors

LECTURE 12

HUMAN RESOURCE PLANNING (HRP)

After studying this chapter, students should be able to understand the following concepts:

A. **Human Resource Planning (HRP)**

LECTURE OVERVIEW
We will examine the human resource planning process and some human resource forecasting techniques. Next, we discuss forecasting human resource requirements and availability and describe what actions could be taken should either a surplus or a shortage of workers exist.

A. Human Resources Planning (HRP)

To understand the Human Resource Planning First, we will see what is Planning? and why is it needed?
What is planning? Plans are methods for achieving a desired result. Goals or objectives are specific results you want to achieve. Planning is thus "the process of establishing objectives and courses of action prior to taking action."

What is planning concerned with? Planning provides a sense of purpose and direction. It is a comprehensive framework for making decisions in advance. It also facilitates the organizing, leading, and controlling functions of management. Planning: allows you to make your decisions ahead of time, it helps you to anticipate the consequences of various courses of action, it provides direction and a sense of purpose, it provides a unifying framework against which to measure decisions, and thus helps you avoid piecemeal decision making. Planning also helps identify potential opportunities and threats, and facilitates control. It is concerned with the end (what is to be done) as well as with means (how it is to be done).

Is planning really needed? If… organizations… never faced changes in the environment, there would have been no need for planning. Planning is one of the functional areas of HR.

B. Strategic Planning And The Human Resource Planning Process

Strategic planning*:* is the process by which top management determines overall organizational purposes and objectives and how they are to be achieved.
Human resource planning (HRP): is the process of systematically reviewing human resource requirements to ensure that the required number of employees, with the required skills, is available when they are needed. After an organization's strategic plans have been formulated, human resource planning can be undertaken. Human resource planning has two components: requirements and availability. Forecasting human resource requirements involves determining the number and type of employees needed by skill level and location. In order to forecast availability, the human resource manager looks to both internal sources (presently employed employees) and external sources (the labor market). When employee requirements and availability have been analyzed, the firm can determine whether it will have a surplus or shortage of employees. Ways must be found to reduce the number of employees if a surplus is projected. Some of these methods include restricted hiring, reduced hours, early retirements, and layoffs. If a shortage is forecasted, the firm must obtain the proper quantity and quality of workers from outside the organization. In this case, external recruitment and selection is required.
The process of anticipating an organization's future human resource needs and then developing action plans for fulfilling identified needs. The systematic review of human resource requirements getting the right people at the right place at the right time.

i. Objectives of Human Resource Planning

Enable organizations to anticipate their future HR needs to identify practices that will help them meet those needs

ii. Benefits of HR Planning

- Helps in planning job assignments
- Helps cope with fluctuations in staffing
- Identifies recruiting needs
- Provides other useful information

iii. Planning Includes Forecasting

Forecasting is carried out in two basic areas which are demand forecast of workforce for organization and supply forecast for the organization

Following approaches are used to perform this function or activity:

- **Statistical approaches**
  a) Trend analysis
  b) Ratio analysis
  c) Regression analysis
- **Judgmental methods**
  a) Managerial judgment

Forecasting Involves Two Activities

- Monitoring current HR programs and personnel staffing levels
- Investigating future HR needs and concerns

Forecasting Human Resource Requirements

A requirements forecast is an estimate of the numbers and kinds of employees the organization will need at future dates in order to realize its goals. Several techniques of forecasting human resource requirements and availability are currently being used by organizations.

a. Zero-Base Forecasting

This method uses the organization's current level of employment as the starting point for determining future staffing needs. The key to zero-base forecasting is a thorough analysis of human resource needs.

b. Bottom-Up Approach

A forecasting method in which each successive level of the organization, starting with the lowest, and forecasts its employee requirements in order to, ultimately, provide an aggregate forecast of employment needs.

c. Use Of Mathematical Models

Mathematical models can assist in forecasting HR requirements. The relationship between sales demand and the number of employees needed is a positive one.

d. Simulation

It is a technique for experimenting with a real-world situation through a mathematical model representing that situation. A model is an abstraction of the real world.

Forecasting Human Resource Availability

Determining whether the firm will be able to secure employees with the necessary skills and from what sources these individuals may be obtained is called an availability forecast.

Surplus of Employees Forecasted

When a comparison of requirements and availability indicates a worker surplus will result, restricted hiring, reduced hours, early retirements, or layoffs may be required to correct the situation.

a. **Restricted Hiring**

When a firm implements a restricted hiring policy, it reduces the workforce by not replacing employees who leave.

b. **Reduced Hours**

Reaction to a declining demand can also be made by reducing the total number of hours worked. Instead of continuing a 40-hour week, management may decide to cut each employee's time to 30 hours.

c. **Early Retirement**

Early retirement of some present employees is another means of reducing the supply of workers.

d. **Layoffs**

At times, the firm has no choice but to actually lay off part of its workforce.

Shortage of Workers Forecasted

Faced with a shortage of workers, many organizations had to intensify their efforts to recruit the necessary people to meet the needs of the firm. Some actions that were taken included:

a. **Creative Recruiting**

A shortage of personnel often means that new approaches to recruiting must be used. The organization may have to recruit in different geographical areas than in the past, explore new methods, and seek different kinds of candidates.

b. **Compensation Incentives**

Firms competing for workers in a high-demand situation may have to rely on compensation incentives. Premium pay is one obvious method. However, this approach may trigger a bidding war that the organization cannot sustain for an extended period. More subtle forms of rewards may be required to attract employees to a firm, such as four-day workweeks, flexible working hours, telecommuting, part-time employment, and child care centers.

c. **Training Programs**

Special training programs may be needed to prepare previously unemployable individuals for positions with a firm. Remedial education and skills training are two types of programs that may help attract individuals to a particular company.

d. **Different Selection Standards**

Another approach for dealing with shortages of workers is the lowering of employment standards. Selection criteria that screen out certain workers may have to be altered to ensure that enough people are available to fill jobs. For instance, instead of desiring extensive work experience, a firm may be willing to hire an inexperienced worker and train him or her to do the job.

Succession Planning and Development

a. Succession Planning

The process of ensuring that a qualified person is available to assume a managerial position once the position is vacant.

b. **Succession Development**

The process of determining a comprehensive job profile of the key positions and then ensuring that key prospects are properly developed to match these qualifications.

c. THE GOAL OF HR PLANNING

The goal of forecasting and planning is to keep a stable workforce that meets needs of the organization.

d. STEPS IN HRP PROCESS

- Determine the impact of organizational objectives on specific organizational unit
- Define the skills required to meet objectives (demand for Human Resource)
  Determine additional human resource requirements in light of current HR (net HR requirements)
- Develop action plan to meet the anticipated HR needs

e. Importance Of HRP

HRP has become more important in recent years for a number of reasons like:

- Globalisation of Business
- New Technologies
- The changing skill levels in the Workforce
- The changing demographics of the workforce
- Mergers and Acquisitions
- Legal developments

f. Requirements for effective HR planning

Successful HR planning requires:

- HR personnel understand the HR planning process
- Top management is supportive
- The communications between HR staff and line management are healthy
- The HR plan is integrated with the organization's strategic business plan

Linking HR planning practices to competitive advantage

Effective HR planning provides best options for supply of workforce of the organization and s stated in earlier chapters if organization is able to have efficient and effective workforce it will be have competitive advantage.

KEY TERMS

Plans	Plans are methods for achieving a desired result.
Simulation	A technique for experimenting with a real-world situation through a mathematical model representing that situation. A model is an abstraction of the real world.
Strategic planning	is the process by which top management determines overall organizational purposes and objectives and how they are to be achieved.
Layoffs	At times, the firm has no choice but to actually lay off part of its workforce.

LESSON 13

STRATEGIC PLANNING AND HRIS

After studying this chapter, students should be able to understand the following concepts:

- Strategic Planning
- Human Resource Information Systems (HRIS)
- Relationship of HRIS with overall MIS

A. Strategic planning:

It is the process by which top management determines overall organizational purposes and objectives and how they are to be achieved. The linking of HRM with strategic goals and objectives in order to improve business performance and develop organizational cultures that foster innovation and flexibility. The role of HR in the strategic planning process depends on the organization's view of HR. There are three views detailed in the text which involve HR as an operational function, HR as a "fitting" function, and HR as an equal partner in the strategic planning process. Obviously, it is our contention that the latter is the appropriate view. In this view, HR's role would include environmental scanning, competitive intelligence, internal strengths and weaknesses analysis, and the implementation of the strategies. HR process involves following activities or steps.

I. HR Planning Process:

a. Determine the organizational mission:
It states Organization's overall purpose and basic business scope and operations it provides information like, why does our organization exist? What unique contributions can it make?

b. Scan the organizational environment.
This is also known as SWOT analysis through this process organizations identify different opportunities available in the market and the threats that can be faced by the organization, and the weaknesses and strengths possessed by organizations are also measured and identified through this process.

c. Set strategic goals:
To achieve the overall mission or purpose of the organization it is required to set specific long-term and short term objectives and goals. The goal can be defined as desired outcomes to accomplish mission. Following are the characteristics of effective goals.

- Specific
- Challenging
- Measurable

d. Formulate a strategic plan:
Courses of action is designed to meet strategic goals, also specifies functional or departmental goals are selected at this step.

II. Strategic Planning and Strategic Trends

a. The Basics of Strategic Planning – A strategy is the company's plan for how it will balance its internal strengths and weaknesses with its external opportunities and threats and maintain a competitive advantage. Managers engage in three levels of strategic planning: corporate-level strategy, business-level competitive strategy, and functional strategies.
b. The Strategic Planning Process entails conducting a SWOT analysis to identify its strengths, weaknesses, opportunities, and threats.

c. Basic Strategic Trends
   - Globalization refers to the tendency of firms to extend their sales, ownership, and/or manufacturing to new markets abroad. For businesses everywhere, the rate of globalization in the past decade has been enormous, and has several strategic implications for firms.
   - Technological Advances have been forcing, and enabling, firms to become more competitive.
   - The Nature of Work is changing due to new technological demands.
   - The Workforce demographics are changing as well. It's becoming more diverse as women, minority-group members, and older workers enter the workforce.

d. Managerial Consequences of the Basic Trends – Managers have to craft strategies that balance opportunities and threats (like those previously discussed) with their firm's strengths and weaknesses, such as global expansion and improved competitiveness strategies. These types of strategies are driving other organizational changes.

III. HR's Strategic Role

a. HR's Evolving Role – It's the firm's workforce that provides the competitive advantage for the firm. HR's role is shifting from protector and screener to strategic partner and change agent.

b. Strategic Human Resource Management refers to improving business performance and developing an organizational culture that fosters innovation and flexibility by linking HRM with the strategic goals and objectives of the firm.

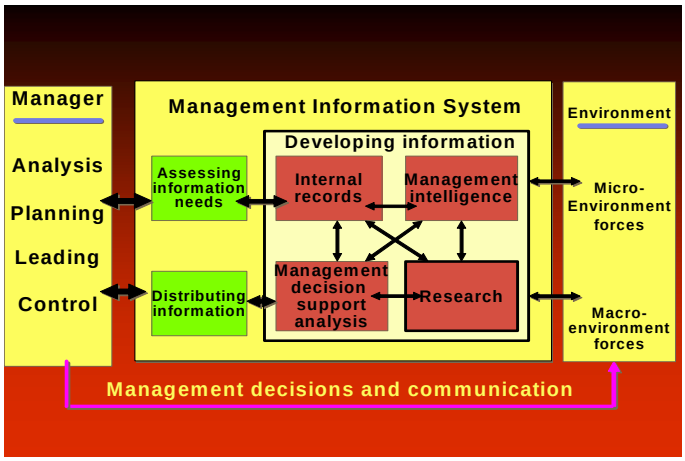
c. HR's Role As a Strategic Partner can be seen as either adapting individual HR practices to fit specific corporate and competitive strategies or as an equal partner in the strategic planning process.

1. HR's Role in Executing Strategy – Execution has been HR's traditional strategic role.

2. HR and Value Chain Analysis – Strategy execution usually involves identifying and reducing costs, and therefore value chain analysis.

3. HR's Role in Formulating Strategy – HR management can play a role in environmental scanning by assisting in identifying and analyzing external opportunities and threats that may be crucial to the company's success.

B. Human Resource Information System



HRISs are systems used to collect, record, and store, analyze, and retrieve data concerning an organization's human resources. The collection of information on aspects of work life as diverse as salary and payroll, compensation, leave, accidents, superannuating and employee benefits has always been part of the human resource manager's function. In the early history of personnel management, administrative aspects, including data collection, took up a great deal of time. Reviews of employee salary and leave entitlements often dominated the activities of earlier personnel officers, reflecting both management priorities and their own clerical backgrounds. Such early information systems were manual, and were mainly used to notify employees of leave entitlements, to ensure accurate salary and wage payments and to process workers' compensation and superannuating claims. The data was seldom used to predict trends, identify problem areas and, or aid in the longer-term staffing process.

I. The development of human resource information systems (HRIS)

In the early development of human resource management, information systems, although often accurate and comprehensive, were mainly used for administrative and operational purposes. Forms were used to collect leave requests, workers compensation and accident data, and salary variation and superannuation entitlements. During the 1970s and 1980s, several factors radically changed attitudes towards human resource information systems. The increasing complexity of payroll systems in this period demanded more flexibility in, and access to information system. These needs happily coincided' with the development of increasingly sophisticated computer hardware and software systems. In large organizations, centralized payroll processing sections began to be separated from other human resource functions. Some organizations contracted their payroll responsibilities to external payroll bureaus with greater technological expertise, and for reduced costs.

II. Nature and benefits of HRIS

Modern human resource information systems are comprehensive, accurate and accessible systems for recording employee and work data relevant to HRM, HR and organizational planning.

An HRIS is:

The system used to acquire, store. Manipulate, analyze, retrieve and distribute pertinent information regarding an organization's human resources. Its purpose is to facilitate, or support, straight, tactical and operational decision making, to avoid litigation, to evaluate programs, policies, or practice and daily operations

Specific benefits of such systems include:

i. Improved planning and program development using decision support software. Faster information processing and improved response times
ii. Decreased administrative and HR costs
iii. Accuracy of information
iv. Enhanced Communication at all levels.

Not all systems fulfill all these requirements, nor is such a complete system suitable for all organizations. Essentially however all HRIS contain information on:

- Employees
- Jobs and work conditions
- Positions
- HR events (e.g. recruitment. training and development, performance appraisals, and terminations).

III. Uses of HRIS

Comprehensive and integrated information systems can be used widely -in administrative, operational and strategic fields by HR and other managers. On the operational level HRIS data can be used to identify potential internal applicants for job vacancies, saying external recruitment costs and assuring employees of career opportunities. Strategically, such information may be used to gauge the effectiveness of current recruitment or promotional systems, their costs and/ *or benefits*, and enable subsequent changes of direction in line with proposed organizational strategies.

IV. Strategic HR planning and HR information systems

Proactive HR managers ensure that their HRIS contributes to organizational performance. A recent development in the uses of HRIS in many has been the linking of 'benchmarking' practices to the design, choice and implementation of such systems as a directly strategic initiative. Integration with organizational strategic objectives is achieved by the subsequent establishment of performance targets and quantitative measures. As a strategic 'tool', HRIS can be used to contribute to the development and modification of HR plans, on both quantitative and qualitative bases, and to feed into specific HRM functions. HR data, if collected effectively and contained within computerized, accessible systems, can both compare organizational HR 'bottom line' outcomes by HRM function, between functions and with national or international performance benchmark

V. HRIS Applications

A computerized HRIS contains hardware and software applications that work together to help managers make HR decisions. HRIS software applications currently available to business include those for employee information, applicant tracking, skills inventory, payroll, and benefits administration.

VI. HRIS Security and Privacy

The HR department must develop policies and guidelines to protect the integrity and security of the HRIS so that private employee information does not fall into the wrong hands. To maintain the security and privacy of HRIS records, companies should control access, develop policies and guidelines that govern the utilization of information, and allow employees to check their records.

VII. Purposes of HRIS

All organizations and their HR mangers need to consider whether their HRIS will be primarily used for collecting, analyzing, interpreting or reporting employee information. The nature of the system chosen should reflect this primary purpose, based upon a realistic analysis of needs prior to its introduction.

Small organizations with stable workforces and secure markets do not require complicated data analysis, but can benefit from comprehensive and accurate databases for reporting purposes. On the other hand, large organizations in competitive and dynamic industries demand strategic HRIS. Every organization needs to assess its particular needs and identify the most appropriate information system for its chosen purposes.

VIII. Common HRIS Functions

Mainly following functions are performed by the HRIS in different organizations.

- Job analysis information can be placed in the HRIS.
- The program can write job descriptions and job specifications.
- Constant monitoring of compliance with EEO legislation.
- Maintain records of rejected applicants.
- Saves money and time in compiling reports.
- Ensure that women and minorities or not be adversely affected.
- Track minority hiring, recruitment, and advancement.
- Forecast supply and demand of labor from both the internal and external labor markets.
- Useful for internal recruiting.
- Can post job opening for employees to access.
- Can search for match between job specifications and applicant qualification.
- Applicant tracking system.
- Administering and scoring ability tests.
- Scanning resumes submitted online (web based or e-mail) or in person (or mail).
- Structured interviews.

- Also, consider budgetary concerns.
- Help with registration, tracking training, monitor training costs, and schedule training.
- Used to deliver training.
- Career and managerial succession planning.
- Used to provide assessment tests to help employee's plan their own career.
- Predict career paths.
- Provide PA instruments and results.
- Comparisons between employees, groups, or supervisors ratings.
- Monitor attendance.
- Monitor compliance with Labor Standards.
- Individual sale data can be accessed (tracking commissions).
- Benefits can be managed and administered by computers.
- Planned raises and wage histories.
- Provides reports for Occupational Safety and Health Administration (OSHA).
- Track hazardous materials.
- Track accidents and costs of accidents.
- Record employee safety training.
- Record employee exposure to various conditions and chemicals.
- Track disciplinary actions and grievances.
- Labor contract data.
- Worker seniority list. Etc..

C. Relationship of HRIS with overall MIS

Information is the backbone of healthy and efficient business management. An information system allows the collection and processing of data to produce useful information for designated users at each level of management. Information management must conform to well-defined principles, run on appropriate software, and be completely adapted to your organization within an integrated system usually known as Management Information System (MIS). Management Information System is the entire set of systems and activities required to manage, process, and use information as a resource in the organization. Stated slightly differently, MIS is the management and use of computer-based systems, computer-resident data, and telecommunications for the support of business decision processes. HRIS is the part of MIS that provides the information regarding workforce in the organization and facilitates the decision makers in decision making process in this regard.

Key Terms

Strategic planning*:*	It is the process by which top management determines overall organizational purposes and objectives and how they are to be achieved.
Human Resource Information System:	HRISs are systems used to collect, record, and store, analyze, and retrieve data concerning an organization's human resources.

LESSON 14

JOB ANALYSIS

After studying this chapter, students should be able to understand the following concepts:

A. Job Analysis

LESSON OVERVIEW

We begin the chapter by describing why job analysis is a basic human resource management tool and explaining the reasons for conducting job analysis. Next, we review the types of job analysis information required and discuss job analysis methods. Then, we explain the components of a well-designed job description and describe other methods for conducting job analysis and the ways job analysis helps to satisfy various legal requirements. We then examine the human resource planning process and some human resource forecasting techniques. Next, we discuss forecasting human resource requirements and availability and describe what actions could be taken should either a surplus or a shortage of workers exist. The chapter ends with a discussion of succession planning and development and job design.

A. Job Analysis:

Studying and under-standing jobs through the process known as *job analysis* is a vital part of any HRM program

I. Purposes of the job Analysis

Job analysis is used to acquire the information in following areas

1. Major duties or activities required
2. Conditions under which the job is performed

So this process helps us to learn the following concepts:

- **Job:** A group of tasks that must be performed in an organization to achieve its goals.
- **Position:** The tasks and responsibilities performed by one person; there is a position for every individual in an organization.
- **Task:** A distinct, identifiable work activity composed of motions
- **Duty:** A larger work segment composed of several tasks that are performed by an individual**.**
- **Responsibility:** An obligation to perform certain tasks and duties.

II. Job Analysis Defined:

Job Analysis is the SYSTEMATIC process of collecting and making judgments about all the important information related to a job. Job analysis is the procedure through which you determine the duties and nature of the jobs and the kinds of people who should be hired for them. You can utilize the information it provides to write job descriptions and job specifications that are utilized in recruitment and selection, compensation, performance appraisal, and training.

III. Reasons For Conducting Job Analysis

A sound job analysis system is extremely critical for numerous reasons.

- **Staffing—All areas of staffing would be haphazard if the recruiter did not** know the qualifications needed to perform the job.
- **Training And Development**—if the specification suggests that the job requires a particular knowledge, skill, or ability—and the person filling the position does not possess all the qualifications required—training and/or development is probably in order.
- **Compensation and Benefits**—The relative value of a particular job to the company must be known before a dollar value can be placed on it. From an internal perspective the more significant its duties and responsibilities, the more the job is worth.

- **Safety and Health**—Information derived from job analysis is also valuable in identifying safety and health considerations.

- **Employee and Labor Relations**—Regardless of whether the firm is unionized, information obtained through job analysis can often lead to more objective human resource decisions.

- **Legal Considerations**—having properly accomplished a job analysis is particularly important for supporting the legality of employment practices.

a. **Job Analysis for Teams**—Today whenever someone asks, "What is your job description?" the reply might well is, "Whatever." What this means is that if a project has to be completed, individuals do what has to be done to complete the task.

IV. Types of Job Analysis Information

Considerable information is needed if job analysis is to be accomplished successfully. Knowledge of the types of machines, tools, equipment, and work aids that are used in performing the job is important. Some job analysis systems identify the standards that are established for the job.

Questions Job Analysis Should Answer

- What physical and mental tasks does the worker accomplish?
- When does the job have to be completed?
- Where is the job to be accomplished?
- How does the worker do the job?
- Why is the job done?
- What qualifications are needed to perform the job?

V. When Job analysis is performed?

Job analysis is conducted under following situations.

- When the organization is founded

When organizations are created complete information about jobs to be performed is collected through job analysis.

- When new jobs are created

When jobs are changed significantly as a result of new technologies, methods, procedures, or systems for analyzing them job analysis is conducted.

VI. Uses of Job Analysis Information

1. Recruitment and Selection – Job descriptions and job specifications are formed from the information gathered from a job analysis, which help management decide what sort of people to recruit and hire.
2. Compensation – The estimated value and the appropriate compensation for each job is determined from the information gathered from a job analysis.
3. Performance Appraisal – Managers use job analysis to determine a job's specific activities and performance standards.
4. Training – Based on the job analysis, the job description should show the job's required activities and skills.
5. Discovering Unassigned Duties – Job analysis can help reveal unassigned duties.
6. EEO Compliance – The Uniform Guidelines on Employee Selection stipulate that job analysis is a crucial step in validating all major personnel activities.

VII. Steps in Job Analysis

The job analysis process has the following steps:

1. Identify how the information will be used because that will determine what data will be collected and how it should be collected. Interviewing and position analysis questionnaire are some examples of data collection techniques.
2. Review relevant background information, such as organization charts, process charts, and job descriptions.
3. Select representative positions to analyze because there may be too many similar jobs to analyze, and it may not be necessary to analyze them all.
4. Analyze the job by collecting data on job activities, required employee behaviors, working conditions, and human traits and abilities needed to perform the job.
5. Review and verify the job analysis information with job incumbents to confirm that it is factually correct and complete.
6. Develop a job description and job specification from the job analysis information.

VIII. Job analysis outcomes

a. Job description

A job description is a written statement of what the jobholder actually does, how he or she does it, and under what conditions the job is performed. There is no standard format for writing job descriptions, but most descriptions include sections on:

- job identification
- job summary
- relationships, responsibilities, and duties
- authority of incumbent
- standards of performance
- working conditions
- job specifications

b. Job specification

A job specification is a document containing the minimum acceptable qualifications that a person should possess in order to perform a particular job. Items typically included in the job specification are educational requirements, experience, personality traits, and physical abilities.

c. Job evaluation

In Job Evaluation process the worth of job is identified based upon job comparability and according to worth, importance of job and relative value Compensation is designed and selected.

Key Terms

Job Analysis: Studying and under-standing jobs through the process known as *job analysis* is a vital part of any HRM program

Job Specification: A job specification is a document containing the minimum acceptable qualifications that a person should possess in order to perform a particular job

Job Description: A job description is a written statement of what the jobholder actually does, how he or she does it, and under what conditions the job is performed.

Job Evaluation: It suggests about the relevant importance of a particular job in organization.

LESSON 15

JOB ANALYSIS

After studying this chapter, students should be able to understand the following concepts:

A. Job Analysis

LESSON OVERVIEW

Today we will be continuing with job analysis, we will be discussing the steps in job analysis. Further we will discuss methods that can be used to analyze the job in organization.

A. Job Analysis:

Job analysis is the procedure through which you determine the duties and nature of the jobs and the kinds of people who should be hired for them. You can utilize the information it provides to write job descriptions and job specifications, which are utilized in recruitment and selection, compensation, performance appraisal, and training.

I. Job Analysis Methods

Job analysis traditionally has been conducted in a number of different ways. Also, firms differ in their needs and in the resources they have for conducting job analysis.

Methods of Collecting Job Analysis Information

- **Introduction**

1. An HR specialist (an HR specialist, job analyst, or consultant), a worker, and the worker's supervisor usually work together in conducting the job analysis.
2. Job analysis data is usually collected from several employees from different departments, using interviews and questionnaires. The data is then averaged, taking into account the departmental context of the employees, to determine how much time a typical employee spends on each of several specific tasks.

a. The Interview

1. The three types of interviews managers use to collect job analysis data are: individual (to get the employee's perspective on the job's duties and responsibilities, group (when large numbers of employees perform the same job), and supervisor (to get his/her perspective on the job's duties and responsibilities).
2. The pros of using an interview are that it is: simple, quick, and more comprehensive because the interviewer can unearth activities that may never appear in written form.
3. The following questions are some examples of typical questions. "What is the job being performed?" "In what activities do you participate?" "What are the health and safety conditions?"
4. The following are interview guidelines: a) the job analyst and supervisor should identify the workers who know the job best and would be objective; b) establish a rapport with the interviewee; c) follow a structured guide or checklist; d) ask worker to list duties in order of importance and frequency of occurrence; and e) review and verify the data.

b. Questionnaire

1. Structured or unstructured questionnaires may be used to obtain job analysis information
2. Questionnaires can be a quick, efficient way of gathering information from a large number of employees. But, developing and testing a questionnaire can be expensive and time consuming.

c. Observation

1. Direct observations are useful when jobs consist of mainly observable physical activity as opposed to mental activity.
2. Reactivity can be a problem with direct observations, which is where the worker changes what he/she normally does because he/she is being watched.
3. Managers often use direct observation and interviewing together.

d. Participant Diary / Logs

1. The employee records every activity he/she engages in, in a diary or log along with the amount of time to perform each activity to produce a complete picture of the job.
2. Employees may try to exaggerate some activities and underplay others.

e. Quantitative Job Analysis Techniques

1. Position Analysis Questionnaire (PAQ) is a questionnaire used to collect quantifiable data concerning the duties and responsibilities of various jobs.
   a) Having decision-making/communication/social responsibilities,
   b) Performing skilled activities,
   c) Being physically active,
   d) Operating vehicles/equipment,
   e) Processing information.
2. Department of Labor Procedure (DOL) is a standardized method for rating, classifying, and comparing virtually every kind of job based on data, people, and things
3. Functional job analysis:
   1) Rates a job on data; people; things; the extent to which specific instructions are necessary to perform the task; the extent to which reasoning and judgment are required to perform the task; and mathematical ability required to perform the task; and
   2) Identifies performance standards and training requirements.

f. Using Multiple Sources of Information

Likely, no one job analysis method will be used exclusively. A combination is often more appropriate.

1. Where possible, collect job analysis data using several types of collection techniques and respondents.
2. Potential inaccuracies in peoples' judgments could lead to inaccurate conclusions

II. Source of Data

Main sources of collection of data for job analysis are as following:

- Employees
- Supervisor
- Manager
- Job Analyst
- Job Analyst (HR)
- Outside consultant
- Supervisor/Manager

III. Problems with Job Analysis

Too lengthy

- Time consuming and requires much patience
- Might be a reflection of stereotypes

Key Terms

Job Identification contains the job title, the FLSA status, date, and possible space to indicate who approved the description, the location of the job, the immediate supervisor's title, salary and/or pay scale.

Job Summary should describe the general nature of the job, and includes only its major functions or activities.

LESSON 16

JOB ANALYSIS (CONTD.)

After studying this chapter, students should be able to understand the following concepts:

A. **Human Resource Planning**
B. **Human Resource Forecasting Techniques**
C. **HR Hiring Process**
D. **Constraints of Recruitment Process**
E. **Philosophy of the Recruitment**
F. **Ethical Issues in Recruitment**

LESSON OVERVIEW

Today we will examine the human resource planning process and some human resource forecasting techniques. Next, we discuss forecasting human resource requirements and availability and describe what actions could be taken should either a surplus or a shortage of workers exist.

A. Human resource planning (HRP):

It is the process of systematically reviewing human resource requirements to ensure that the required number of employees, with the required skills, is available when they are needed.

B. HUMAN RESOURCE FORECASTING TECHNIQUES

Several techniques of forecasting human resource requirements and availability are currently used by those in the profession.

- **Zero Based Forecasting**

This method uses the organization's current level of employment as the starting point for determining future staffing needs. The key to zero-base forecasting is a thorough analysis of human resource needs.

- **Bottom-Up Approach**

A forecasting method in which each successive level of the organization, starting with the lowest, forecasts its employee requirements in order to, ultimately, provide an aggregate forecast of employment needs.

- **Use Of Mathematical Models**

Mathematical models can assist in forecasting HR requirements. The relationship between sales demand and the number of employees needed is a positive one.

- **Simulation**

Simulation is a technique for experimenting with a real-world situation through a mathematical model representing that situation. A model is an abstraction of the real world.

Forecasting Human Resource Requirements

A requirements forecast is an estimate of the numbers and kinds of employees the organization will need at future dates in order to realize its goals.

Forecasting Human Resource Availability

Determining whether the firm will be able to secure employees with the necessary skills and from what sources these individuals may be obtained is called an *availability forecast*.

SURPLUS OF EMPLOYEES FORECASTED

When a comparison of requirements and availability indicates a worker surplus will result, restricted hiring, reduced hours, early retirements, or layoffs may be required to correct the situation.

- **Restricted Hiring**

When a firm implements a restricted hiring policy, it reduces the workforce by not replacing employees who leave.

- **Reduced Hours**

Reaction to a declining demand can also be made by reducing the total number of hours worked. Instead of continuing a 40-hour week, management may decide to cut each employee's time to 30 hours.

- **Early Retirement**

Early retirement of some present employees is another means of reducing the supply of workers.

- **Layoffs**

At times, the firm has no choice but to actually lay off part of its workforce.

SHORTAGE OF WORKERS FORECASTED

Unemployment in the United States was at an all-time low in the summer of 2000. Faced with a shortage of workers, many organizations had to intensify their efforts to recruit the necessary people to meet the needs of the firm. Some actions that were taken included:

- **Creative Recruiting**

A shortage of personnel often means that new approaches to recruiting must be used. The organization may have to recruit in different geographical areas than in the past, explore new methods, and seek different kinds of candidates.

- **Compensation Incentives**

Firms competing for workers in a high-demand situation may have to rely on compensation incentives. Premium pay is one obvious method. However, this approach may trigger a bidding war that the organization cannot sustain for an extended period. More subtle forms of rewards may be required to attract employees to a firm, such as four-day workweeks, flexible working hours, telecommuting, part-time employment, and child care centers.

- **Training Programs**

Special training programs may be needed to prepare previously unemployable individuals for positions with a firm. Remedial education and skills training are two types of programs that may help attract individuals to a particular company.

- **Different Selection Standards**

Another approach for dealing with shortages of workers is the lowering of employment standards. Selection criteria that screen out certain workers may have to be altered to ensure that enough people are available to fill jobs. For instance, instead of desiring extensive work experience, a firm may be willing to hire an inexperienced worker and train him or her to do the job.

SUCESSION PLANNING AND DEVELOPMENT

Succession Planning: The process of ensuring that a qualified person is available to assume a managerial position once the position is vacant.

Succession Development: It is the process of determining a comprehensive job profile of the key positions and then ensuring that key prospects are properly developed to match these qualifications.

C. HR Hiring Process:

HR hiring process involves the activities that are required to make the workforce or staff available to fill and keep filled different positions in the organization.
This process includes the following steps

- **Recruitment**

It is the process of attracting individuals on a timely basis, in sufficient numbers and with appropriate qualifications, and encouraging them to apply for jobs with an organization.

- **Selection**

The process of making a "hire" or "no hire" decision regarding each applicant for a job

- **Socialization**

The process of orienting new employees to the organization or the unit in which they will be working

Today we will start discussing this hiring process with the detail discussion on first step that is Recruitment.

Recruitment:

It is the process of attracting individuals on a timely basis, in sufficient numbers and with appropriate qualifications, and encouraging them to apply for jobs with an organization.

a. Goals of Recruitment:

Mainly there are two recruitment goals

b. To attract qualified applicants

Recruiting process is used to create the pool of qualified applicants. By qualified applicants we mea those applicants who are having abilities that are perfect match with the job requirements.

c. To discourage non qualified applicants.

Second goal of recruitment is to avoid nonqualified applicants. When recruiting is based upon careful designing of the job disruption and job specification most of the applicants having irrelevant qualifications are eliminated fro the list of potential applicants which makes recruiting process more effective and easier.

D. Constraints of Recruitment Process:

Different factors in internal or external environment can influence the effectiveness of recruiting process in negative manner and can become hurdles in recruiting process. They mainly include:

I. Image of the Organization.

If employees believe that their employer deals with them fairly, the positive word-of-mouth support they provide is of great value to the firm. It assists in establishing credibility with prospective employees.
Image of the organization is mainly assessed by its performance, salary, benefits provided by it potential opportunities to excel and respect etc. If all these factors are good enough than the image of the organization will be positive in the market that will help the organization to have reasonable number of applicants ready to apply for then given job openings, But if the salary benefits provided by the organizations are not compatible with the market there are no potential opportunities for the career development and to excel in future than these factors will be contributing towards negative image of the organization. This bad image is hurdle in acquiring good number of applicants through recruitment process specially if any firm is having business in the declining industry and management is least bothered about the welfare and wellbeing of the employees.

II. Attractiveness of the job

Attractiveness of the job mainly depends upon its contribution towards achievement of organizations objectives, challenging assignments, its contribution in the career development of the job holder. Secondly the benefits and salary associated to particular job also plays important role in defining the importance of the job. There fore jobs having challenging assignments, career oriented in nature and having good remuneration package can attract best applicants from the labor force available in the market or vice versa.

III. Government Influence

The recruitment process is influenced by the laws provided by the government. Organizations to be more successful are required to work according to these laws.

IV. Labor Market Influence:

The recruitment process is influenced by labor market conditions. When the economy is growing rapidly and unemployment levels are very low, recruiting is extremely difficult. However, when the economy is stagnant and unemployment levels are high, organizations can obtain large applicant pool with very little effort.

V. Recruiting Costs

Companies use to bear very high costs while performing the recruitment process especially when the recruitment is external. Therefore organizations can perform this function only and only if they are having sufficient resources to perform the recruitment process.

VI. Global Issues

When ever staffing function is performed at the international level or across the national boundaries beside internal environment of organization polices of the host country regarding employment also influence the recruitment process. They can include basic labor laws regarding quality of work life EEO, remuneration packages, etc.

Diversity through Recruiting Efforts:

To offset the momentum of past discrimination in employment, firms must resort to additional recruitment approaches. A recruitment program that is designed to specifically attract women and minorities is referred to as affirmative recruitment. To ensure that an organization's recruitment program is nondiscriminatory, the firm must analyze its recruitment procedures. Each individual who engages in recruitment should be trained in the use of objective, job-related standards. With few exceptions, jobs must be open to all individuals. When placing job orders with employment agencies, an organization should emphasize its nondiscriminatory recruitment practices. Organizations engaged in affirmative recruitment should develop contacts with minority, women's, and other community organizations.

E. Philosophy of the Recruitment:

Major decision in performing the recruitment process is selection of sources from the available sources which are:

- **Internal Recruitment**
- **External Recruitment.**

Both of theses have pros and cons and to have the best pool of the applicant's pool it is suggested that the multiple approach should be used instead of depending upon any single sources

F. Ethical Issues in Recruitment:

- Performs recruiting and employment activities for the off-site location, providing qualified candidates in a cost-effective and timely manner while ensuring adherence to the corporate job posting procedure.
- Verifies that all job offers to internal and external candidates are within company policy and that any unusual questions regarding employment are referred to the Manager in order to ensure fair and equitable treatment of all job candidates.

Key Terms

Human resource planning (HRP):	It is the process of systematically reviewing human resource requirements to ensure that the required number of employees, with the required skills, is available when they are needed.
Recruitment:	It is the process of attracting individuals on a timely basis, in sufficient numbers and with appropriate qualifications, and encouraging them to apply for jobs with an organization.
Job Evaluation	It is used to evaluate the importance of job by considering its contribution towards achievements of the objectives of organization.

LESSON 17

SOURCES OF RECRUITMENT

After studying this chapter, students should be able to understand the following:

A. **Explain Recruitment**
B. **Describe Sources of Recruitment**
C. **Identify alternatives to recruitment**
D. **Understand Recruitment – an applicant's perspective**
E. **Evaluate the Recruitment Process**

LESSON OVERVIEW

Today we will discuss about the first step of staffing function which is Recruitment. We begin this lecture by presenting the recruitment process. This section is followed by internal recruitment methods, external recruitment sources, and external recruitment methods. Finally, recruitment evaluation will be discussed.

A. Recruitment:

Recruiting refers to the process of attracting potential job applicants from the available labor force. Every organization must be able to attract a sufficient number of the job candidates who have the abilities and aptitudes needed to help the organization to achieve its objectives. An effective employee selection procedure is limited by the effectiveness of recruiting process. Outstanding job candidates cannot be selected if they are not included in the applicant pool.

The recruitment process also interacts with other personnel functions, especially performance evaluation compensation training and development and employee relations. Recruiting is typically a human resource function.

In planning recruiting activities, an organization needs to know how many applicants must be recruited. Since some applicants may not be satisfactory an others may not accept the job offers, an organization must recruit more applicants than it expects to hire. **Yield Ratios** help organizations decide how many employees to recruit for each job opening. These ratios express the relationship between the number of people at one step of the recruitment process relative to the number of people who will move to the next step.

Now we will discuss the different sources of recruitment that are available to organization:

B. Source of Recruitment:

Basically organizations are available by the two man sources of recruitment which are:

I. **External Recruitment.**
II. **Internal Recruitment.**

Vacancies in upper level management can be filled either by hiring people from outside the organization or by promoting lower level mangers. Both strategies have advantages and disadvantages.

We will consider both internal and external recruitment sources in detail:

I. Internal Recruiting Sources:

When job vacancies exist, the first place that an organization should look for placement is within itself. An organization's present employees generally feel that they deserve opportunities to be promoted to higher-level positions because of their service and commitment to organization. More over organizations have opportunities to examine the track records of its present employees and to estimate which of them would be successful. Also recruiting among present employees is less expensive than recruiting from outside the organization. The major forms of the internal recruiting include:

1. Promotion from with in.
2. Job posting.
3. Contacts and referrals

a. Promotion from within:

Promoting entry level employees to more responsible positions is one of the best ways to fill job vacancies and important reason why company should have a human resource planning system. An organization that has human resource planning system uses succession plans and replacement charts to identify and prepare individuals for upper level positions. Skills inventories are useful in identifying individuals who have the potential for advancement, and individual's desire to be promoted can be assessed in the performance appraisal review. A promotion from within policy is intrinsic to career development and human resource planning. A promotion from within policy can stimulate great motivation among employee, and this motivation is often accompanied by a general improvement in the employee morale.

b. Job posting

An organization can also use the policy of job posting as a internal recruitment source. In the job posting system the organization notifies its present employees about job openings through the use of bulletin boards, company publications, or personal letters. The purpose of the job posting is to communicate that the job opening exists. An effective job posting system involves the following guidelines:

Job posting should be prominent.

Clear job specification should be communicated so that applicants assess themselves either they are eligible to apply or not.

Once the decision is made, all applicants should be informed about the decision.

Job posting systems generally work quite well.

c. Contacts and Referrals:

Many firms have found that their employees can assist in the recruitment process. Employees may actively solicit applications from their friends and associates.

Before going outside to recruit employees, many organizations ask present employees to encourage friends or relatives to apply for the job openings. Contacts and referrals from the present employees are valuable sources of recruits. Employee referrals are relatively inexpensive and usually produce quick responses. However some organizations are concerned about problems that result from hiring friends of employees for example, the practice of hiring friends and relatives favoritisms, cliques etc.

- **Advantages of Internal Recruitment:**

1. Provides greater motivation for good performance.
2. Provides greater opportunities for present employees
3. Provides better opportunity to assess abilities
4. Improves morale and organizational loyalty
5. Enables employees to perform the new job with little lost time

- **Disadvantages of Internal Recruitment:**

1. Creates a narrowing thinking and stale ideas
2. Creates pressures to compete
3. Creates homogeneous workforce
4. Chances to miss good outside talent Requires strong management development programs specially to train for technology.

II. External Recruiting Sources:

A broad variety of methods are available for external recruiting. An organization should carefully assess the kinds of positions it wants to fill and select the recruiting methods that are likely to produce the best results.

EXTERNAL SOURCES OF RECRUITMENT

There are some employee needs that a firm must fill through external recruitment. Among them are: filling entry-level jobs, acquiring skills not possessed by current employees, and obtaining employees with different backgrounds to provide new ideas.

a. **High Schools and Vocational Schools**

Organizations concerned with recruiting clerical and entry-level operative employees often depend on high schools and vocational schools.

b. Community Colleges

A number of community colleges are sensitive to the specific employment needs in their local labor market and graduate highly sought-after students with marketable skills.

c. Colleges and Universities

Colleges and universities represent a major source of recruitment for many organizations. Potential professional, technical, and management employees are typically found in these institutions. Different institutes use to publish booklets having information about the graduates that can be communicated to organization who are in search of applicants.

d. Competitors and other Firms

Competitors and other firms in the industry or geographic area may be the most important source of recruits for positions in which recent experience is highly desired.

e. Unemployed

Individuals, who are unemployed, regardless of the reason, often provide a valuable source of recruitment.

f. Older Individuals

Older workers, including those retired, may also comprise a valuable source of employees.

g. Military Personnel

Using this source may make sense to many employers because these individuals typically have a proven work history, and are flexible, motivated, and drug free.

h. Self-Employed Workers

These individuals may provide a source of applicants to fill any number of jobs requiring technical, professional, administrative, or entrepreneurial expertise.

III. EXTERNAL RECRUITMENT METHODS

Recruitment methods are the specific means through which potential employees are attracted to the firm.

a. **Advertising**

A way of communicating the employment needs within the firm to the public through media such as radio, newspaper, television, industry publications, and the Internet.

Some times organizations can perform the recruitment function through blind advertisements in blind advertisements no identification about the company is provided to applicants. Companies can use blind advertisements for many reasons e.g.

- Company wants to keep the recruitment in low profile so that lesser number of applicants should apply in order to discourage the irrelevant people.
- Due to bad reputation or image of the organization
- Advertisement is made just for the purpose of test marketing fro example just to have knowledge about the supply of applicants in labor market etc.

b. Employment Agencies

An organization that helps firms recruits employees and, at the same time, aids individuals in their attempt to locate jobs. There are two types of the employment agencies i.e.

- Public Employment Agencies.
- Private Employment Agencies

Both of these sources provide coordination between the organizations and applicants who are searching for jobs, for this service they use to charge a fee. Employment agencies are able to tailor their services to the specific needs of the clients for example some agencies specialize in a particular employment areas, such as engineering, human resource or Computer programming, etc.

c. Recruiters

The most common use of recruiters is with technical and vocational schools, community colleges, colleges, and universities.

d. Special Events

It is a recruiting method that involves an effort on the part of a single employer or group of employers to attract a large number of applicants for interviews.

e. Internships

A special form of recruiting that involves placing a student in a temporary job. There is no obligation on the part of the company to permanently hire the student and no obligation on the part of the student to accept a permanent position with the firm. Hiring college students to work as student interns is typically viewed as training activity rather than as a recruiting activity. However, organizations that sponsor internship programs have found that such programs represent an excellent means of recruiting outstanding employees.

f. Executive Search Firms

Executive search firms sometimes called **HEAD HUNTERS** are specialized form of private employment agencies that place top level executives and experienced professionals. These are the organizations that seek the most-qualified executive available for a specific position and are generally retained by the company needing a specific type of individual.

g. Professional Associations

Associations in many business professions such as finance, marketing, information technology, and human resources provide recruitment and placement services for their members. Professional associations and trade organizations provide a valuable service in bringing together professional and professional job openings. Most professional organizations have newsletters, annual meetings and trade publications that advertise job openings. The annual meetings of these organizations are good occasion for professionals to learn about available job openings and for employers to interview potential applicants.

h. Unsolicited Walk-In Applicants

If an organization has the reputation of being a good place to work, it may be able to attract good prospective employees without extensive recruitment efforts.

i. Open Houses

Firms pair potential hires and managers in a warm, causal environment that encourages on-the-spot job offers.

j. Event Recruiting

Attend the events that the people you are seeking go to.

k. Virtual Job Fairs

Individuals meet recruiters face-to-face in interviews conducted over special computers that have lenses that transmit head-and-shoulder images of both parties.

l. Cyber Recruiting

Organizations can also use web sites and internet sources to recruit people application submission test and interview and other recruitment and selection activities can be performed online.

- **Advantages of External Recruitment:**
  1. Provides new ideas and new insights
  2. Provides greater diversity and helps achieve EEO goals by making affirmative action easy
  3. Provides opportunities to handle rapid growth if the organization
  4. Opportunities to get people with up-to-date knowledge education and training

- **Disadvantages of External Recruitment:**
  1. It is more expensive and time consuming
  2. Destroys incentives of present employees to strive for promotion
  3. More chances to commit hiring mistakes due to difficult applicant assessment that will lead to wastage of resources.

C. ALTERNATIVES TO RECRUITMENT

When an organization decides to add personnel to its staff, it makes a significant financial investment. Recruitment and selection costs are high, especially for professionals, technical and managerial employees. Therefore before an organization decides to recruit new employees, it ought to consider the feasibility of other alternatives.

I. Outsourcing

Out sourcing is the process of transferring responsibility for an area of service and its objectives to an external service provider instead of internal employee.

II. Contingent Workers

It is also known as part-timers, temporaries, and independent contractors, comprise the fastest-growing segment of our economy.

III. Professional Employer Organization (Employee Leasing)

Using this approach, a firm terminates some or most of its employees. A leasing company then hires them, usually at the same salary, and leases them back to the former employer, who becomes the client.

IV. Overtime

Perhaps the most commonly used method of meeting short-term fluctuations in work volume is through the use of overtime.

D. Recruitment - An applicant perspective:

- Applicant should be provided with necessary information regarding organization job, remuneration package etc.
- If rejection is to be communicated it should be done with tactics.

E. Evaluating the Recruitment Process:

Recruitment process can be evaluated by the following factors:

1. Quantity of the Applicants
2. Quality of the Applicants

Quantity of the Applicants

Recruitment process can be evaluated by the number of applicants who have applied for the job greater the number of applications greater will be the chance to select best people from available pool.

Quality of the Applicants

Effectiveness of recruitment can be estimated by the quality of the applicants. Quality can be assessed by the education, skills, capabilities and competencies of the applicants.

Yield Ratios:

The effectiveness of the recruitment process also depends upon the acceptability of the yield ratio.

Key Terms

Advertising: A way of communicating the employment needs within the firm to the public through media such as radio, newspaper, television, industry publications, and the Internet.

Yield Ratios: Yield Ratios help organizations decide how many employees to recruit for each job opening.

Internal Recruiting Sources: When job vacancies exist, the first place that an organization should look for placement is within itself

Outsourcing: Outsourcing is the process of transferring responsibility for an area of service and its objectives to an external service provider instead of internal employee.

Contingent Workers: It is also known as part-timers, temporaries, and independent contractors, comprise the fastest-growing segment of our economy.

Internships: A special form of recruiting that involves placing a student in a temporary job.

Recruitment: Recruiting refers to the process of attracting potential job applicants from the available labor force.

LESSON 18

SELECTION

After studying this chapter, students should be able to understand the following:

A. **Explain Selection Process**
B. **Describe Environmental factors affecting the selection process**
C. **Identify Steps in the selection process**

A. SELECTION PROCESS

We begin the chapter with a discussion of the significance of employee selection and the environmental factors that affect it. Then, we describe the selection process, the preliminary interview, and review of the application for employment.

Selection Process an Overview

Selection is the process of choosing from a group of applicants those individuals best suited for a particular position. Most managers recognize that employee selection is one of their most difficult, and most important, business decisions. This process involves making a judgment -not about the applicant, but about the fit between the applicant and the job by considering knowledge, skills and abilities and other characteristics required to perform the job Selection procedures are not carried out through standard pattern and steps in this. Process can vary from organization to organization some steps performed and considered important by one organization can be skipped by other organization

B. ENVIRONMENTAL FACTORS AFFECTING THE SELECTION PROCESS

A permanent, standardized screening process could greatly simplify the selection process. However, development of such a process—even if it were possible and desirable—would not eliminate deviations to meet the unique needs of particular situation.

- **Legal Considerations**

Legislation, executive orders, and court decisions have a major impact on human resource management. It is important for hiring managers to see the relationship between useful and legally defensible selection tools.

- **Speed Of Decision Making**

The time available to make the selection decision can have a major effect on the selection process. Closely following selection policies and procedures can provide greater protection against legal problems; however, there are times when the pressure of business will dictate that exceptions be made.

- **Organizational Hierarchy**

Different approaches to selection are generally taken for filling positions at different levels in the organization.

- **Applicant Pool**

The number of applicants for a particular job can also affect the selection process. The process can be truly selective only if there are several qualified applicants for a particular position. The number of people hired for a particular job compared to the individuals in the applicant pool is often expressed as a selection ratio.

- **Type of Organization**

The sector of the economy in which individuals are to be employed—private, governmental, or not-for-profit—can also affect the selection process.

- **Probationary Period**

Many firms use a probationary period that permits evaluating an employee's ability based on performance. This may be either a substitute for certain phases of the selection process or a check on the validity of the process.

- **Selection Criteria:**

Mostly the selection of applicant depends upon the following factors or criterions.

1. EDUCATION
2. COMPETENCIES
3. EXPERIENCE
4. SKILLS AND ABILITIES
5. PERSONNAL CHARECTRISTICS

Applicant who is best fit should be hired instead of hiring a person with extra ordinary skills it means right person for right job should be hired person who is over or under qualified for the particular job will not be able to adjust in the organization.

C. STEPS IN THE SELECTION PROCESS

The selection process typically begins with the preliminary interview; next, candidates complete the application for employment. They progress through a series of selection tests, the employment interview, and reference and background checks. The successful applicant receives a company physical examination and is employed if the results are satisfactory. Several external and internal factors impact the selection process, and the manager must take them into account in making selection decisions. Typically selection process consists of the following steps but it is not necessary that all organization go through all these steps as per requirement of the organization some steps can be skipped while performing the selection process.

1. Initial Screening
2. Application Blank
3. Pre-employment Testing
    - General Intelligence Tests
    - Aptitude Tests
    - Personality and Interest Tests
    - Achievement Tests
    - Honesty Tests
4. Interview
    - Structured Interview
    - Unstructured Interview
    - Mixed Interview
5. Background Checks
6. Conditional job offer
7. Medical Exam/Drug Tests
8. Final Selection Decision

1. Initial Screening

INITIAL SCREENING: The selection process often begins with an initial screening of applicants to remove individuals who obviously do not meet the position requirements. At this stage, a few straightforward questions are asked. An applicant may obviously be unqualified to fill the advertised position, but be well qualified to work in other open positions. The Purpose of Screening is to decrease the number of applicants being considered for selection.

Sources utilized in the screening effort:

Personal Resume presented with the job application is considered as source of information that can be used for the initial screening process. It mainly includes information in the following areas:

- Employment & education history
- Evaluation of character
- Evaluation of job performance

Screening Interviews:

Screening interviews are used to:

- To verify information provided on resume or application blank.
- They are usually very short (approximately 30 minutes or so).

Advantages of Successful Screening:
If the screening effort is successful, those applicants that do not meet minimum required qualifications will not move to the next stage in the selection process. Companies utilizing expensive selection procedures put more effort in screening to reduce costs.

2. APPLICATION BLANK /REVIEW OF APPLICATIONS

APPLICATION BLANK: is a formal record of an individual's application for employment The next step in the selection process may involve having the prospective employee complete an application for employment. The specific type of information may vary from firm to firm and even by job type within an organization. However, the application form must reflect not only the firm's informational needs but also EEO requirements. Application forms are a good way to quickly collect verifiable and fairly accurate historical data from the candidate.

Key Terms

Selection Process: *Selection* is the process of choosing from a group of applicants those individuals best suited for a particular position.

Application Blank: Application blank is a formal record of an individual's application for employment

LESSON 19

SELECTION TESTS

After studying this chapter, students should be able to understand the following:

A. **Explain Employee Tests**
B. **Describe Job Interviews**

A. Employment Tests

I. Administration of selection tests:

A personnel testing is a valuable way to measure individual characteristics. Hundreds of tests have been developed to measure various dimensions of behavior. The tests measure mantel abilities, knowledge, physical abilities, personality, interest, temperament, and other attitudes and behaviors. Evidence suggests that the use of tests is becoming more prevalent for assessing an applicant's qualifications and potential for success. Tests are used more in the public sector than in the private sector and in medium-sized and large companies than in small companies. Large organizations are likely to have trained specialists to run their testing programs.

- **Advantages and disadvantages of using tests:**

Selection testing can be a reliable and accurate means of selecting qualified candidates from a pool of applicants. As with all selection procedures, it is important to identify the essential functions of each job and determine the skills needed to perform them.

- **Potential Problems Using Selection Tests**

Selection tests may accurately predict an applicant's ability to perform the job, but they are less successful in indicating the extent to which the individual will want to perform it. Another potential problem, related primarily to personality tests and interest inventories, has to do with applicants' honesty. Also there is the problem of test anxiety. Applicants often become quite anxious when confronting yet another hurdle that might eliminate them from consideration.

II. Characteristics of Properly Designed Selection Tests

Properly designed selection tests are standardized, objective, based on sound norms, reliable and—of utmost importance—valid.

1. **Standardization**: Refers to the uniformity of the procedures and conditions related to administering tests. It is necessary for all to take the test under conditions that are as close to identical as possible.

2. **Objectivity**: Achieved when all individuals scoring a given test obtain the same results.

3. **Norms**: Provide a frame of reference for comparing applicants' performance with that of others. A norm reflects the distribution of scores obtained by many people similar to the applicant being tested. The prospective employee's test score is compared to the norm, and the significance of the test score is determined.

4. **Reliability**: The extent to which a selection test provides consistent results. If a test has low reliability, its validity as a predictor will also be low. To validate reliability, a test must be verified.

5. **Validity**: The extent to which a test measures what it purports to measure. If a test cannot indicate ability to perform the job, it has no value as a predictor.

- **Types of Validation Studies**

There three main approaches that may be followed to validate selection tests: criterion-related validity, content validity, and construct validity.

a. **Criterion-Related Validity**

It is determined by comparing the scores on selection tests to some aspect of job performance. A close relationship between the score on the test and job performance suggests the test is valid.

b. **Content Validity**

It is a test validation method whereby a person performs certain tasks that are actually required by the job or completes a paper-and-pencil test that measures relevant job knowledge.

c. **Construct Validity**

It is a test validation method to determine whether a test measures certain traits or qualities that are important in performing the job. However, traits or qualities such as teamwork, leadership, and planning or organization ability must first be carefully identified through job analysis.

III. Types Of Employment Tests

Individuals differ in characteristics related to job performance. These differences, which are measurable, relate to cognitive abilities, psychomotor abilities, job knowledge, work samples, vocational interests, and personality. Various tests measure these differences.

a. **Cognitive Aptitude Tests**

It measures an individual's ability to learn, as well as to perform a job. Job-related abilities may be classified as verbal, numerical, perceptual speed, spatial, and reasoning.

b. Psychomotor Abilities Tests

This type of test is used to measure strength, coordination, and dexterity. It is feasible to measure many abilities that are involved in many routine production jobs and some office jobs.

c. Job Knowledge Tests

This sort of test is designed to measure a candidate's knowledge of the duties of the position for which he or she is applying.

d. Work-Sample Tests (Simulations)

It identifies a task or set of tasks that are representative of the job. The evidence concerning these tests, to date, is that they produce high predictive validity, reduce adverse impact, and are more acceptable to applicants.

e. Vocational Interest Tests

It indicates the occupation in which a person is most interested and is most likely to receive satisfaction.

f. Personality Tests

It is a selection tools, personality tests have not been as useful as other types of tests. They are often characterized by low reliability and low validity. Because some personality tests emphasize subjective interpretation, the services of a qualified psychologist are required.

g. Drug and Alcohol Testing

Basic purpose of the drug-testing programs contends that it is necessary to ensure workplace safety, security, and productivity.

h. Genetic Testing

As genetic research progresses, confirmed links between specific gene mutations and diseases are emerging. Genetic testing can now determine whether a person carries the gene mutation for certain diseases, including heart disease, colon cancer, breast cancer, and Huntington's disease.

i. Honest Test/Polygraph Tests

For many years, another means used to verify background information has been the polygraph, or lie detector, test. One purpose of the polygraph was to confirm or refute the information contained in the application blank. Special tests have been constructed to measure the orientation of the individuals toward the issue of the honesty and personal integrity. Honesty tests are the most frequently used psychological tests in industry. These tests contain questions regarding such situations as whether a person who has taken company merchandise should be trusted in another job that involves handling company money. An individual's response to the test statements indicates the individual's attitudes towards theft, embezzlement, and dishonest practices. Extensive research has shown that some of these instruments not only produce reliable information that validly predicts dishonest behavior, but that they also are free from biases of age, race, and sex. These honesty tests represent a valuable selection tool for choosing employees who will occupy positions that involve handling company money.

j. Internet Testing

The Internet is increasingly being used to test various skills required by applicants.

B. Job Interviews

THE EMPLOYMENT INTERVIEW: Interview is a goal-oriented conversation in which the interviewer and applicant exchange information. The employment interview is especially significant because the applicants who reach this stage are considered to be the most promising candidates.

I. Interview Planning

Interview planning is essential to effective employment interviews. The physical location of the interview should be both pleasant and private, providing for a minimum of interruptions. The interviewer should possess a pleasant personality, empathy and the ability to listen and communicate effectively. He or she should become familiar with the applicant's qualifications by reviewing the data collected from other selection tools. In preparing for the interview, a job profile should be developed based on the job description.

II. Content of The Interview

The specific content of employment interviews varies greatly by organization and the level of the job concerned.

1. **Occupational experience**: Exploring an individual's occupational experience requires determining the applicant's skills, abilities, and willingness to handle responsibility.
2. **Academic achievement**: In the absence of significant work experience, a person's academic background takes on greater importance.
3. **Interpersonal skills**: If an individual cannot work well with other employees, chances for success are slim. This is especially true in today's world with increasing emphasis being placed on the use of teams.
4. **Personal qualities**: Personal qualities normally observed during the interview include physical appearance, speaking ability, vocabulary, poise, adaptability, and assertiveness.
5. **Organizational fit**: A hiring criterion that is not prominently mentioned in the literature is *organizational fit*. Organizational fit is ill-defined but refers to management's perception of the degree to which the prospective employee will fit in with, for example, the firm's culture or value system.

III. Types of Interviews

Interviews may be classified in two types by the degree to which they are structured.

a. The Unstructured (Nondirective) Interview

Unstructured interview is an interview where probing, open-ended questions are asked. This type of interview is comprehensive, and the interviewer encourages the applicant to do much of the talking.

b. Behavior Description Interviewing

A structured interview that uses questions designed to probe the candidate's past behavior in specific situations. It avoids making judgments about applicants' personalities and avoids hypothetical and self-evaluative questions. Benchmark answers derived from behaviors of successful employees are prepared for use in rating applicant responses. Questions asked in behavior description interviewing are legally *safe* because they are job related.

c. The Structured (Directive Or Patterned) Interview

An interview consisting of a series of job-related questions that are asked consistently of each applicant for a particular job is known as structured interview. A structured interview typically contains four types of questions.

1. **Situational questions**: Pose a hypothetical job situation to determine what the applicant would do in that situation.
2. **Job knowledge questions**: Probe the applicant's job-related knowledge.
3. **Job-sample simulation questions**: Involve situations in which an applicant may be actually required to perform a sample task from the job.
4. **Worker requirements questions**: Seek to determine the applicant's willingness to conform to the requirements of the job.

IV. Methods of Interviewing

Interviews may be conducted in several ways.

a. One-On-One Interview

In a typical employment interview, the applicant meets one-on-one with an interviewer. As the interview may be a highly emotional occasion for the applicant, meeting alone with the interviewer is often less threatening.

b. Group Interview

Several applicants interact in the presence of one or more company representatives.

c. Board Interview

One candidate is interviewed by several representatives of the firm.

d. Stress Interview

Intentionally creates anxiety to determine how an applicant will react to stress on the job.

V. Realistic Job Previews

RJP Conveys job information to the applicant in an unbiased manner, including both positive and negative factors

VI. Legal Implications of Interviewing

Because the interview is considered to be a test, it is subject to the same validity requirements as any other step in the selection process, should adverse impact be shown. For the interview, this constraint presents special difficulties.

VII. How To Avoid Common Interviewing Mistakes

a. Snap Judgments:

This is where the interviewer jumps to a conclusion about the candidate during the first few minutes of the interview. Using a structured interview is one way to help avoid this, as well as properly training the interviewers.

b. Negative Emphasis:

When an interviewer has received negative information about the candidate, through references or other sources, he or she will almost always view the candidate negatively. The best way to avoid this is to keep references or other information from the interviewer. If possible, have different people do the reference checks and the interviews and not share the information until afterwards.

c. Poor Knowledge of Job:

When interviewers do not have a good understanding of the job requirements, they do not make good selections of candidates. All interviewers should clearly understand the jobs and know what is needed for success in those jobs.

d. Pressure to Hire:

Anytime an interviewer is told that he or she must hire a certain number of people within a short time frame, poor selection decisions may be made. This type of pressure should be avoided whenever possible.

e. Candidate Order

(Contrast) Error: When an adequate candidate is preceded by either an outstanding, or a poor candidate, by contrast he or she looks either less satisfactory or much better. This can be countered through interviewer training, allowing time between interviews, and structured interviews with structured rating forms.

f. Influence of Nonverbal Behavior:

Candidates who exhibit stronger nonverbal behavior such as eye contact and energy level are perceived as stronger by the interviewers. This can be minimized through interviewer training and structured interviews.

VIII. Guidelines for Conducting an Interview

1. Plan the interview.
2. Establish rapport.
3. Ask questions.
   HR in Practice gives do's and don'ts of interview questions.
4. Close the interview.
5. Review the interview.

Key Terms

Standardization: Refers to the uniformity of the procedures and conditions related to administering tests. It is necessary for all to take the test under conditions that are as close to identical as possible.

Objectivity: Achieved when all individuals scoring a given test obtain the same results.

Norms: Provide a frame of reference for comparing applicants' performance with that of others. A norm reflects the distribution of scores obtained by many people similar to the applicant being tested. The prospective employee's test score is compared to the norm and the significance of the test score is determined.

Reliability: The extent to which a selection test provides consistent results. If a test has low reliability, its validity as a predictor will also be low. To validate reliability, a test must be verified.

Validity: The extent to which a test measures what it purports to measure. If a test cannot indicate ability to perform the job, it has no value as a predictor.

Snap Judgments: This is where the interviewer jumps to a conclusion about the candidate during the first few minutes of the interview.

LESSON 20

SELECTION PROCESS CONTD…

After studying this chapter, students should be able to understand the following:

A. **Explain Background Investigations**
B. **Describe Conditional Job Offer**
C. **Identify Physical Exams**
D. **Understand Permanent Job Offer**
E. **Discuss the selection of managers**
F. **Explain Socialization**

LESSON OVERVIEW
We will continue the selection process in this lecture by discussing the remaining steps of selection process.

A. Background Investigations

This step is used to check accuracy of application form through former employers and references. Verification of education and legal status to work Credit history Criminal records is also made. Personal reference checks may provide additional insight into the information furnished by the applicant and allow verification of its accuracy. Past behavior is the best predictor of future behavior. It is important to gain as much information as possible about past behavior to understand what kinds of behavior one can expect in the future. Knowledge about attendance problems, insubordination issues, theft, or other behavioral problems can certainly help one avoid hiring someone who is likely to repeat those behaviors. Background investigations primarily seek data from references supplied by the applicant including his or her previous employers. The intensity of background investigations depends on the level of responsibility inherent in the position to be filled.

Negligent Hiring and Retention
Negligent hiring has become a critical concern in the selection process. An employer can be held responsible for an employee's unlawful acts if it does not reasonably investigate applicants' backgrounds and then assigns potentially dangerous persons to positions where they can inflict harm. This liability exists for an employer even if the employee's actions are not job related. Negligent retention, a related potential liability, involves keeping persons on the payroll whose records indicate strong potential for wrongdoing. Employers are beginning to be held responsible for actions outside the scope of the employee's duties. Employers are required by law to provide employees a safe place to work. This has been extended to include providing safe employees because a dangerous worker is comparable to a defective machine.

B. Conditional Job Offer

After obtaining and evaluating information about the finalists in a job selection process, the manager must take the most critical step of all: making the actual hiring decision. The person whose qualifications most closely conform to the requirements of the open position should be selected. Initially the conditional job letter is offered that is followed by the physical exam/test.

C. Physical Exam

After the decision has been made to extend a job offer, the next phase of the selection process involves the completion of a physical examination for the successful applicant. Typically, a job offer is contingent on successfully passing this examination.
Substance Abuse Screening – Because drug abuse is a serious problem for employers, it is common practice for most employers to conduct drug screening just before employees are formally hired.

D. Permanent Job Offer

If physical test/exam proves eligibility of the candidate as per requirement of the job, final offer is made to applicant by the concerned department or supervisor in the concerned department.

Notification to Candidates: The selection process results should be made known to candidates— successful and unsuccessful—as soon as possible. Any delay may result in the firm losing a prime candidate, as top prospects often have other employment options. As a matter of courtesy and good public relations, the unsuccessful candidates should also be promptly notified.

E. Selecting Managers

While selecting mangers for the organization, organizations can have three options, which are:

I. Hiring Parent Country Nationals (PCN)
II. Hiring Host Country Nationals (HCN)
III. Hiring third Country Nationals (TCN)

All of these approaches are having some pros and cons let's discuss them briefly:

I. Parent-Country Nationals

Parent country nationals are residents of home country.

Advantages

- Better organizational Control and Coordination
- Promising managers are given International experience.
- PCNs are the best people for the job.

Disadvantages

- Adaptation to the host country may take a long time
- PCNs may impose an inappropriate headquarter style
- Compensation for PCNs and HCNs may differ

II. Host-Country Nationals

Host country national are residents of the host country.

Advantages

- Language and other barriers are eliminated
- Hiring costs are reduced
- No work permit is required
- Continuity of management improved

Disadvantages

- Control and Coordination of headquarters may be impeded.
- Hiring HCN's limits opportunities for PCN's to gain overseas experience**.**

III. Third-Country Nationals

If required talent is not available in home or host country than national s of the third country can be hired as mangers.

Advantages

- Salary and benefits requirements may be lower than for PCNs
- TCNs may be better informed than PCNs about the host country.

Disadvantages

- The host Government may resent the hiring of TCNs
- TCNs may not want to return to their own countries after assignment.

Once selection decision is made at any level of the organization, every applicant that is selected requires to be create awareness about the organization regarding basic work policies , rules regulations , do's and don'ts of the organization this information is communicated through socialization process.

F. Socialization:

Teaching the corporate culture and philosophies about how to do business

Assumptions about Socialization

- Influences performance
- Increases organizational stability
- New members suffer anxiety
- Does not occur in a vacuum

Socialization

Employee orientation programs provide new employees with the basic background information required to perform their jobs satisfactorily.

The HR specialist usually performs the first part of the orientation by explaining basic matters, then introduces the new employee to his/her supervisor, who familiarizes the new employee with the workplace to help reduce first day jitters.

- Welcome party
- Job rotation
- On job training etc.

Key Terms

Socialization: Teaching the corporate culture and philosophies about how to do business

LESSON 21

SOCIALIZATION

After studying this chapter, students should be able to understand the following:

A. **Explain Socialization**
B. **Describe Training**
C. **Identify Development**
D. **Understand Training and Development Trends**
E. **Evaluate the Recruitment Process**

LESSON OVERVIEW

Today we will be discussing the orientation or the socialization process that acclimatizes the new hires to the organization. We will discuss in detail that who is responsible for conducting this process and the stages of the socialization process. Further we will also have overview of the training and development process.

A. Socialization

In order to reduce the anxiety that new employees may experience, attempts should be made to integrate the person into the informal organization. The initial T&D effort designed for employees is Socialization, the guided adjustment of new employees to the company, the job, and the work group.

I. Purposes of Socialization

Socialization formats are unique to each firm. However, some basic purposes include emphasizing these areas: the employment situation (job, department, and company), company policies and rules, compensation and benefits, corporate culture, team membership, employee development, dealing with change, and socialization.

a. The Employment Situation

A basic purpose, from the firm's viewpoint, is to have the new employee become productive as quickly as possible. Therefore, specific information about performing the job may be provided at an early point in time.

b. Company Policies and Rules

Every job within an organization must be performed considering the guidelines and constraints provided by policies and rules. Employees must have an understanding of these to permit a smooth transition to the workplace.

c. Compensation and Benefits

Employees will have a special interest in obtaining information about the reward system. Although this information is usually provided during the recruitment and selection process, a review of the data is appropriate during Socialization.

d. Corporate Culture

The firm's culture reflects, in effect, how we do things around here. This relates to everything from the way employees dress to the way they talk.

e. Team Membership

A new employee's ability and willingness to work in teams is most likely determined before he or she is hired. In Socialization, the importance of becoming a valued member of the company team may be emphasized.

f. Employee Development

Employees should know exactly what is expected of them and what is required by the firm for advancement in the job or via promotion.

g. Dealing With Change

Employees at all levels must learn to effectively deal with change in order to survive in their jobs. The best way individuals can be prepared for change is to continually develop and expand their skills.

h. Socialization

In order to reduce the anxiety that new employees may experience, attempts should be made to integrate the person into the informal organization.

II. Stages in socialization Process:

Socialization can be conceptualized as a process made up of three stages.

a. Pre-arrival Stage:

This stage explicitly recognizes that each individual arrives with a set of organizational values, attitudes, and expectations. For instance, in many jobs, particularly high skilled and managerial jobs, new members will have undergone a considerable degree of prior socialization in training and in school. Pre-arrival socialization, however, goes beyond the specific job. The selection process is used in most organizations to inform perspective employees about the organization as whole. In addition, of course, interviews in the selection process also act to ensure the inclusion of the "right type" determining those who will fit in. Indeed, the ability of the individuals to present the appropriate face during the selection process determines their ability to move into the organization in the first place. Thus success depends upon the degree to which aspiring members have correctly anticipated the expectations and desires of those in the organization in charge of selection.

b. Encounter Stage:

Upon entry into the organization, new members enter the encounter stage. Here the individuals confront the possible dichotomy between their expectations about their jobs, their coworkers, their supervisors, and the organization in general and reality. If expectations prove to have been more or less accurate, the encounter state merely provides a reaffirmation of the perceptions generated earlier. However, this is often not the case. Where expectation and reality differ; new employees must undergo socialization that will detach them from their previous assumption and replace these with the organization's pivotal standards. Socialization, however, cannot solve all the expectation differences. At the extreme, some new members may become totally disillusioned with the actualities of their jobs and resign. It is hoped that proper selection would significantly reduce this latter occurrence.

c. Metamorphosis Stage:

Finally the new member must workout any problems discovered during the encounter stage. This may mean going through changes. Hence the last stage is termed as metamorphosis stage. Metamorphosis is complete as is the socialization process – when new members have become comfortable with the organization and their work teams. In this situation they will have internalized the norms of the organization and their coworkers; and they understand and accept these norms. New members will feel accepted by their peers as trusted and valued individuals. They will have gained an understanding of the organizational system- not only their own tasks but the rules, procedures and informally accepted practices as well. Finally they will know how they are going to be evaluated. They will know what is expected of them and what constitutes a good job. Consequently, successful metamorphosis should have positive effect on a new employees productivity and the employee's commitment to the organization, and should reduce the likelihood that the employee will leave the organization any time soon.

III. Many People Socialize new Hires

New employee socialization or orientation covers the activities involved in introducing a new employee to the organization and to his or her work unit. How is responsible for the orientation of new employee? This can be done by the supervisor, the people in HRM, Peers, CEO, or combination of any of these.

a. **HRM Department:** HRM department can conduct the orientation in order to socialize the newly hired employees with the working environment of the organization. HRM plays a major role in new employee orientation-the role of coordination, which ensures that the appropriate components are in place. In addition HRM also serves as a participant in program. As job offers are made and accepted, HRM should instruct the new employee when to report to work. However, before the employee formally arrives, HRM must be prepared to handle some of the more routine needs of these individuals.

b. **Supervisor:** Immediate supervisor of particular department can also be the source of informing the employees about the culture, rules, procedures and policies of the organization. Mostly in smaller organizations, orientation may mean the new member reports to supervisor, who then assigns the new member to other employee who will introduce the new member to other coworkers. This may be followed by a quick tour to show the different parts and departments of the organization.

c. **Peers:** Peers and coworkers of the new hires can perform the orientation function in order to tell the expectation of employers and requirements of the organization as can also answer the queries raised from the employee side.

d. **Organizational culture:** Organizational culture itself can express the do's and don'ts of any organization. Every organization has its own unique culture. This culture includes longstanding, and often unwritten, rules and regulation; a special language that facilitates communication among members; shared standards of relevance as to the critical aspects of the work that is to be done; standards for social etiquette, customs for how members should relate to peers, employees, bosses and outsiders; what is appropriate and smart behavior with in organization and what is not.

e. **CEO:** Prior to mid 1980s, new employee orientation operated, if at all, with out any output from the company's executive management. But that began to change, due in part to management consultants advocating that senior management become more accessible to employees. The CEO's first responsibility is to welcome new employees aboard and talk to them about what a good job choice they made. The CEO is in position to inspire these new employees by talking about what it is like to work for the organization. When CEO is present in the socialization process, the company is sending a message that it truly cares for its employees.

IV. Topics covered in employee Orientation program:

Following topics are covered in orientation or socialization process.

a. **Introduction:** Regarding the organization, supervisor, trainers, and coworkers and to system

b. **Job Duties:** It provides job related information like, Job location Job tasks Job safety requirements Overview of job, Job objectives Relationship to other jobs

c. **Organizational Issues:** This provides the information about the overall organization it may include; History of employer, organization of employer, name & titles of key executive, employee's titles and departments, layout of physical facilities, probationary period, overview of production process, company policies and rules, disciplinary regulations, employee handbook, safety procedures etc

d. **Employee Benefits:** This part provides the information about the benefits that are offered by the organization like; Pay scales & paydays, vacations rest break, training & education benefits, counseling, housing facilities, insurance benefits, retirement program, employee-provided services for employees, rehabilitation program

The Hiring Process

Hiring process is completed here because orientation or the socialization process is the last step of hiring. Next we will be discussing the training programs in the organization.

B. Training

Training is a process whereby people acquire capabilities to aid in the achievement of organizational goals. It involves planned learning activities designed to improve an employee's performance at her/his current job. Training refers to the methods used to give new or present employees the skills they need to perform their jobs.

C. Development

All efforts to provide employees with the abilities the organizations will need in the future

D. Training and Development Trends:

- Skill requirements will continue to increase
- Workforce will become significantly better educated & more diverse
- Corporate restructuring reshapes businesses
- Technology will revolutionize certain training delivery methods
- The role of training departments will change
- More flexible courses aimed specifically at performance improvement
- More firms will strive to become learning organizations
- Emphasis on human performance management will accelerate

Key Terms

Socialization: In order to reduce the anxiety that new employees may experience, attempts should be made to integrate the person into the informal organization.

Training: Training is a process whereby people acquire capabilities to aid in the achievement of organizational goals. It involves planned learning activities designed to improve an employee's performance at her/his current job.

Corporate Culture: The firm's culture reflects, in effect, how we do things around here. This relates to everything from the way employees dress to the way they talk.

LESSON 22

TRAINING AND DEVELOPMENT

After studying this chapter, students should be able to understand the following:

A. **Explain Learning**
B. **Define Training**

LESSON OVERVIEW

We devote this lecture to explaining the learning and its importance in improving status of organization; we will also explore scope of Training and its relationship to organizational change. Next, the Training process is described along with how Training needs are determined and objectives established. Then, we look at the numerous Training methods. Effectiveness of training program depends upon the learning of trainees so first of all we should see what is meant by learning.

A. Learning

Learning is a relatively permanent change in behavior that results from direct or indirect experience.

- **Learning organization**

Learning organizations are firms that recognize the critical importance of continuous performance-related. Training takes appropriate action. They are one whose employees continuously attempt to learn new things & to use what they learn to improve product or service quality. The most important thing in learning is that all managers should understand the basic purposes and processes of both Training also recognize the role of learning theory in Training.

B. Training Defined:

The heart of a continuous effort designed to improve employee competency and organizational performance. Training typically focuses on providing employees with specific skills or helping them correct deficiencies in their performance.

I. Challenges in Training

Upgrading employees' performance and improving their skills through training is a necessity in today's competitive environment. The training process brings with it many questions that managers must answer. Included in these questions are: Is training the solution to the problems? Are the goals of training clear and realistic? Is training a good investment? Will the training work?

- Is Training the Solution?
- Are the Goals Clear and Realistic?
- Is Training a Good Investment?
- Will Training Work?

II. The Training Process

Adjustments in external and internal environments necessitate change. Once the need for change is recognized and the factors that influence intervention are considered, the process of determining Training needs begins. Essentially, two questions must be asked: "What are our Training needs?" and "What do we want to accomplish through our TRAINING efforts?" After stating the TRAINING objectives, management can determine the appropriate methods for accomplishing them. Various methods and media are available; the selection depends on the nature of TRAINING goals. Naturally, TRAINING must be continuously evaluated in order to facilitate change and accomplish organizational objectives. Now we will discuss different phases of training process.



Phases of Training:

a. Phase 1: Needs Assessment & Establishing Objectives

In order to compete effectively, firms must keep their employees well trained. The first step in the Training process is to determine Training needs. The overall purpose of the assessment phase is to determine if training is needed and, if so, to provide the information required to design the training program. Assessment consists of three levels of analysis: organizational, task, and person.

Organizational Analysis: It is an examination of the kinds of problems that an organization is experiencing and where they are located within organization.

Task/Operational Analysis: An operational analysis identifies the kinds of the skills and behaviors required of the incumbents of a given job and the standards of performance that must be met.

Personal Analysis: The objective of the personnel analysis is to examine how well individual employees are performing their jobs. Training should be given to those who need it. Assigning all employees to a training program, regardless of their skill levels, is a waste of organizational resources and create a unpleasant situation for employees who do not need training.

The objectives of training must be clarified, related to the areas identified in the task analysis, and should be challenging, precise, achievable, and understood by all.

Mostly when there is a performance gap i.e. the performance is not up to the specified standards training is required to improve the performance there are certain factors that should be kept in mind before conducting training ,lets consider these factors:

- **Number of employees experiencing skill deficiency**: Number of employees supposed to be trained.
- **Severity of skill deficiency**: What are the cons or advantages that are being faced by the organization due to absence of that skill?
- **Importance of skill**: How important is skill to be possessed by workforce.
- **Extent to which skill can be improved with Training**: Would there be real difference in skill level in case the training program is conducted.

Determining Training Needs:

Following sources can help organization to assess either there is a need for Training or not.

- Self-assessments
- Company records
- Customer complaints
- New Technology
- Employee grievances
- Interviews with managers
- Customer satisfaction surveys
- Observation

Establishing Training Objectives

Objectives are desired end results. In human resource, clear and concise objectives must be formulated

b. Phase 2: Delivering the Training

The training program that results from assessment should be a direct response to an organizational problem or need. Approaches vary by location, presentation, and type. These are summarized below:

1. Location Options

a. On the job: Training is at the actual work site using the actual work equipment

b. Off the job: Training away from the actual work site. Training is at a Training facility designed specifically for Training.

c. Phase 3: Training Methods

- **Lecture**

The Lecture is an efficient means of transmitting large amounts of factual information to a relatively large number of people at the same time. It is traditional method of teaching and is used in many training programs. A skilled lecture can organize material and present it in a clear and understandable way. How ever a lecture doesn't allow active participation by learners.

- **Case method**

A Training method in which trainees are expected to study the information provided in the case and make decisions based on it.

- **Simulations**

Simulators are training devices of varying degrees of complexity that duplicate the real world. Simulation refers to creating an artificial learning environment that approximates the actual job conditions as much as possible.

- **Apprenticeship**

This type of training refers to the process of having new worker, called an apprentice, work alongside and under the direction of skilled technician.

- **Internships**

Internships and assistantships provide training similar to apprenticeship training; however' assistantships and internships typically refer to occupations that require a higher level of the formal education than that required by the skilled trades. Many colleges and universities used to develop agreements with organizations to provide internships opportunities for students.

- **Coaching And Mentoring**

Some organizations assign an experienced to serve as a mentor for new employees. Effective mentors teach their protégés job skills, provide emotional support and encouragement. Coaching and mentoring are primarily on-the-job development approaches emphasizing learning on a one-to-one basis. Coaching is often considered a responsibility of the immediate boss who has greater experience or expertise and is in the position to offer sage advice. The same is true with a mentor, but this person may be located elsewhere in the organization or even in another firm. The relationship may be established formally or it may develop on an informal basis.

- **Discussions**

Conferences and group discussions, used extensively for making decisions, can also be used as a form of training because they provide forums where individuals are able to learn from one another. A major use of the group discussion is to change attitudes and behaviors.

- **Games**

Simulations that represent actual business situations are referred to as business games. These simulations attempt to duplicate selected parts of a particular situation, which are then manipulated by the participants

- **Role playing**

A Training method in which participants are required to respond to specific problems they may actually encounter in their jobs.

- **Computer-based**

Computer based training is a teaching method that takes advantage of the speed, memory, and data manipulation capabilities of the computer for greater flexibility of instruction.

- **Multimedia**

Multimedia is an application that enhances computer-based learning with audio, animation, graphics, and interactive video.

- **Virtual reality**

It is a unique computer-based approach that permits trainees to view objects from a perspective otherwise impractical or impossible.

- **Video Training**

The use of videotapes continues to be a popular Training method. An illustration of the use of videotapes is provided by behavior modeling. *Behavior modeling* has long been a successful Training approach that utilizes videotapes to illustrate effective interpersonal skills and how managers function in various situations.

- **Vestibule training**

Training that takes place away from the production area on equipment that closely resembles the actual equipment used on the job. Effective training programs are effective only if the trainers re able to effectively transfer to required knowledge to trainees but there are certain reasons due to which training programs transferring becomes ineffective. The reasons re as under:

Why Transfer of Training Fails?

- Don't learn material
- Don't understand "real life" applications
- Lack of confidence
- Forgetting the material

d. Phase 4:Evaluating Training

The credibility of training is greatly enhanced when it can be shown that the organization has benefited tangibly from such programs. Organizations have taken several approaches in attempting to determine the worth of specific programs. In this phase, the effectiveness of the training is assessed. Effectiveness can be measured in monetary or non-monetary terms. It is important that the training be assessed on how well it addresses the needs it was designed to address.

- **Participants' Opinions**: Evaluating a training program by asking the participants' opinions of it is an inexpensive approach that provides an immediate response and suggestions for improvements. The basic problem with this type of evaluation is that it is based on opinion rather than fact. In reality, the trainee may have learned nothing, but perceived that a learning experience occurred.
- **Extent of Learning:** Some organizations administer tests to determine what the participants in training program have learned. The pretest, posttest, control group design is one evaluation procedure that may be used.
- **Behavioral Change:** Tests may indicate fairly accurately what has been learned, but they give little insight into desired behavioral changes.
- **Accomplishment of Training Objectives:** Still another approach to evaluating training programs involves determining the extent to which stated objectives have been achieved.
- **Benchmarking**

Benchmarking utilizes exemplary practices of other organizations to evaluate and improve training programs. It is estimated that up to 70 percent of American firms engage in some sort of benchmarking.

- **A Case for Simplicity**: Value is the measure of impact and positive change elicited by the training.

The most common approaches used to determine the effectiveness of training programs are as under:

Post Training Performance Method:

In this method the participants' performance is measured after attending a training program to determine if behavioral changes have been made.

Pre-Post Test approach:

Most commonly used approach towards measurement of effectiveness of training is Pretest Post test approach this approach performances the employees is measured prior to training and if required training is provided. After completion if the training again the performance is measured this is compared with performance before training if evaluation is positive e.g. increase in productivity that means that training is effective.

Pre- Post Training Performance with control group Method:

Under this evaluation method, two groups are established and evaluated on actual job performance. Members of the control group work on the job but do not undergo instructions. On the other hand, the experimental group is given the instructions. At the conclusion of the training, the two groups are reevaluated. If the training is really effective, the experimental group's performance will have improved, and its performance will be substantially better than that of the control group.

Key Terms

Training: The process of teaching new employees the basic skills they need to perform their jobs.

Task analysis: A detailed study of a job to identify the skills required so that an appropriate training program may be instituted.

Performance analysis: Careful study of performance to identify a deficiency and then correct it with new equipment, a new employee, a training program, or some other adjustment.

On-the-job training (OJT): Training a person to learn a job while working at it.

Vestibule or simulated: Training employees on special off-the-job equipment, as in training airplane, whereby training costs and hazards can be reduced.

Coaching/Mentoring: A method of on-the-job training where an experienced worker, or
Method the trainee's supervisor trains the employee.

Action Learning: A training technique by which management trainees are allowed to work full-time analyzing and solving problems in other departments.

Case study method: A development method in which the manager is presented with a written description of an organizational problem to diagnose and solve.

Business games: A development technique in which teams of managers compete with one another by making computerized decisions regarding realistic but simulated companies.

Behavior modeling: A training technique in which trainees are first shown good management techniques in a film, are then asked to play roles in a simulated situation, and are then given feedback and praise by their supervisor.

Learning organization: An organization skilled at creating, acquiring, and transferring knowledge and at modifying its behavior to reflect new knowledge and insights.

LESSON 23

MAXIMIZING LEARNING

After studying this chapter, students should be able to understand the following:

C. **Maximizing Learning**
D. **Selecting the Stage for Learning**
E. **Maintaining performance after Training**
F. **Following up on Training**
G. **Learning Principles**
H. **Training versus Development**
I. **Human Resource Development (HRD)**
J. **Role of Line Managers and Training and Development**
K. **Role of HR Department in Training and Development**

LESSON OVERVIEW

In this lecture we will discuss how a learning process can be maximized in terms of learning. As we know that training is a learning process we should know the basic learning principles that can be helpful in making training process more effective. We will also discuss the HRD that is, Human Resource Development in detail as well.

A. Maximizing Learning:

Learning can be maximized by considering the basic principles of learning. That will be discussed later.

B. Selecting the Stage for Learning

Effective learning requires two things (1) Clear Task Instructions that what is going to be learnt how and what is its importance and the (2) is Model Appropriate Behavior. When ever the training need is assessed, it should be translated to behavioral objective and trainer should try to present the results in behavioral terms. This will be contributing towards quality training and effective learning.

C. Maintaining Performance after Training

Effective training can raise performance, improve morale, and increase an organization's potential. Poor, inappropriate, or inadequate training can be a source of frustration for everyone involved. To maximize the benefits of training, managers must closely monitor the training process. Developing learning points, to assist knowledge retention, Setting specific goals, identifying appropriate reinforces and teaching trainees, self-management skills can help organizations to maintain performance after training.

D. Following up on Training:

Any training or development implemented in an organization must be cost effective. That is the benefits gained by such programs must outweigh the cost associated with providing the learning experience. Training to be more effective, is supposed to be followed with careful evaluation. Evaluation methods are discussed in the previous lecture. Different techniques and approaches can be used to evaluate the training program and, if required at any level, revisions and redesigning should not be avoided. It is not enough to merely assume that any training effort of an organization is effective; we must develop substantive data to determine whether our training effort is achieving its goals- that is, if it's correcting the deficiencies in skills, knowledge or attitudes that were assessed in needing attention. Training programs are expensive. The cost incurred alone justify evaluating the effectiveness.

E. Learning Principles

These are the basic principles or conditions that facilitate learning.

I. Participation

Learning should permit and encourage active participation of the learner. The learning activities should be experiential rather than just informational. Therefore, the trainers should arrange the physical surroundings to facilitate small group interaction and promote the sharing of ideas.

II. Repetition

An important principal of the learning is to provide the learner with the opportunity for practice and repetition. To gain the full benefit of training learned behaviors must be over learned to ensure smooth performance and minimum of forgetting at a latter date. Proficiency in learning and retaining new skills is improved when individuals visualize themselves performing the new behavior.

III. Relevance

The learning should be problem centered rather than content centered. People are motivated to learn when training is immediately relevant to help them solve a current problem. Learning something just because someone says "it is important" is not as motivating.

IV. Transference

Because the training occurs in a special environment, an important question to ask is whether learning will transfer to the actual job situation. Transfer of training occurs when trainees can apply the knowledge and skills learned in training course to their jobs. If the learning in one setting does not transfer to the actual job situation, the training has failed .Three transfers training situations are possible (1) Positive transfer of training, when the training activities enhance performance in the new situation; (2) negative transfer of training, when the training activities inhibit performance in new situation; and (3) no observable effect of training.

V. Feedback

Performance feed back is necessary prerequisite for learning. Feedback improves performance not only by helping learners correct their mistakes, but also by providing reinforcement for learning. Knowledge of results is a positive reinforcement itself. Learning activities have more intrinsic interest if feedback is available. Nevertheless, performance feedback should do more than inform learners whether they were right or wrong. Merely informing the trainees that they were wrong is not as effective as telling them why they were wrong and how they can avoid making mistakes in future. In general, knowledge of results is an essential feature of learning, and this knowledge comes after the learner's response.

F. Training vs. Development

Although training is often used with development, the terms are not synonymous. Training typically focuses on providing employees with specific skills or helping them to correct deficiencies in their performance. In contrast, development is an effort to provide employees with the abilities that the organization will need in the future



I. Purposes of T & D

The most prominent changes affecting T&D that have been prophesied and that are actually occurring today in business include:

- Orient new employees and Preparing them for promotion
- Satisfy personal growth needs
- Improve performance
- Avoid Managerial Obsolescence
- Solve organizational problems
- Changes in organization structure caused by mergers, acquisitions, rapid growth, downsizing, and outsourcing
- Changes in technology and the need for more highly skilled workers

- Changes in the educational level of employees
- Changes in human resources; a diverse workforce consisting of many groups
- Competitive pressures necessitating flexible courses and just-in-time and just-what's-needed training
- Increased emphasis on learning organizations and human performance management

II. Selecting T & D Program

While selecting the training ad development programs and selecting training and development methods to be used, following factors should be kept in mind in order to have more effective utilization of resources that are supposed to be spent on proposed training and development programs.

a. **Cost Effectiveness**: Any training or development implemented in an organization must be cost effective. That is the benefits gained by such programs must outweigh the cost associated with providing the learning experience. If measured the effectiveness of the training process, there should be air justification of assigning training programs in the organization because if organizations are not able to have advantages or development and enhancement of the performance after training it is only wastages of the resources.

b. **Desired Program Content**: Contents of the training program and the methods used to deliver the training should be in relevance to training objectives and need assessed for training.

c. **Learning Principles**: Learning principals should be implemented to have more effective training.

d. **Appropriateness of the Facilities**: Factors that are supposed to facilitate the training program should be appropriate and available.

e. **Trainee Performance and Capabilities**: There is chance and enough probability that training will lead to the enhancement of the trainees.

f. **Trainer Performance and Capabilities**: Trainers or people who are assigned responsibility to train the trainees are having enough experience, skills, capabilities and past trends that show that they can be effective trainers. Trainers themselves are required to be well trained in order to provide the training.

G. Human Resource Development (HRD)

HRD has been defined as an organized learning experience, conducted in a definite time period, to increase the possibility of improving job performance and growth. Training is the part of HRD that deals with the designing programs that permit learners to acquire knowledge and skills needed for their present jobs.

HRD Involves Following Activities;

Training & Development: Training typically focuses on providing employees with specific skills or helping them to correct deficiencies in their performance. In contrast, development is an effort to provide employees with the abilities that the organization will need in the future.



Organizational Development: It is an organization wide application of behavioral science knowledge – to the planned development and reinforcement of a firm's strategies, structures, and processes for improving its effectiveness.

Career Development: A formal approach taken by an organization to help people acquire the skills and experiences needed to perform current and future jobs is termed as career development. Company's policies especially policies regarding promotion, counseling the employees, opportunities to excel in future help employees to develop their career. It consists of skills, education and experiences as well as behavioral modification and refinement techniques that allow individuals to work better and add value.

HRD programs are divided into three categories

(1) **Training:** Training is the acquisition of technology which permits employees to perform their present job to standards.
(2) **Education:** Education is training people to do a different job. It is often given to people who have been identifies as being promotable, being considered for a new job either lateral or upwards
(3) **Development:** Development is training people to acquire new horizons, technology, or viewpoints. It enables leaders to guide their organizations onto new expectations by being proactive rather than reactive**.**

Human Resource Development Methods:

Some development of the individuals' ability can take place on the job (Job Rotation, assistant-to-position and committee assignment) and some times off the job methods (Lectures, Courses, Seminars, Simulation, Outdoor Training) are to be used to provide the development opportunity to the workforce. We will have brief discussion on these methods.

- **Job Rotation**: It involves moving employees to various positions in organization in an effort to expand their skills, knowledge and abilities. Job rotation can be either horizontal or vertical. Vertical rotation is nothing more than promoting a worker in to a new position.

- **Assistant to Position**: Employees with demonstrated potential are sometimes given the opportunity to work under a successful manger, often in different areas of organization. In doing so, these employees get exposure to wide variety of management activities and are groomed for assuming the duties of next higher level.

- **Committee Assignments**: Committee Assignments can provide an opportunity for the employee to share in decision making, to learn by watching others, and to investigate specific organizational problems.

- **Lectures & Seminars**: Traditional forms of instruction revolved around formal lecture course and seminars. These offered opportunity for individuals to acquire knowledge and develop their conceptual and analytical abilities.

- **Simulations**: Simulators are training devices of varying degrees of complexity that duplicate the real world. Simulation refers to creating an artificial learning environment that approximates the actual job conditions as much as possible.

- **Outdoor Training**: A trend in employee development has been the use of outdoor training. The primary focus of such training is to teach trainees the importance of working together, of gelling as teams. The purpose of these trainings is to see how employees react to the difficulties that nature presents to them.

- **Developing a succession planning program:** Succession planning programs are considerations of the job openings that presently exist in an organization, the openings that are likely to occur in the future, and how these positions might be filled. If positions are to be filled from within, training and development will be needed to prepare employees for promotion. If positions are to be filled by hiring from without, the organization will need to make a careful analysis of the labor market and the likelihood of finding qualified replacements.

H. Role of line Managers and Training and Development

- Provide employee orientation training.
- Assess training needs and plan developmental strategies.
- Provide on-the-job training.
- Ensure transfer of training.

I. Role of the HR Department in Training and Development

HRM department helps in Training and development program by performing the following functions.

- Provide employee orientation training.
- Contribute to management development programs.
- Provide training and development.
- Evaluate training.

Key Terms

Training: The heart of a continuous effort designed to improve employee competency and organizational performance.

Human Resource Development: A major HRM function that consists not only of T&D but also individual career planning and development activities and performance appraisal.

Learning Organizations: Firms that recognize the critical importance of continuous performance-related training and development and take appropriate action.

Job Rotation: It involves moving employees from one job to another for the purpose of providing them with broader experience.

Assistant to Position: Employees with demonstrated potential are sometimes given the opportunity to work under a successful manger.

Job Rotation: It involves moving employees to various positions in organization in an effort to expand their skills, knowledge and abilities.

LESSON 24

CAREER MANAGEMENT

After studying this chapter, students should be able to understand the following:

L. Career

LESSON OVERVIEW

In this lecture, we first discuss the concept of career, career planning and development. Next, we distinguish between job security and career security. Then, we identify several factors that affect career planning and discuss both individual and organizational career planning. We next address career paths and discuss career development, then, career planning and development methods are described. We devote the last part of the chapter to a discussion of developing unique segments of the workforce.

L. **Career:**

Career can be defined as a general course of action a person chooses to pursue throughout his or her working life

I. Career planning:

Career planning is an ongoing process through which an individual sets career goals and identifies the means to achieve them. The process by which individuals plan their life's work is referred to as career planning. Through career planning, a person evaluates his or her own abilities and interests, considers alternative career opportunities, establishes career goals, and plans practical developmental activities.

Usually, career planning programs are expected to achieve one or more of the following objectives:

1. More effective development of available talent.
2. Self-appraisal opportunities for employees considering new or nontraditional career paths.
3. More efficient development of human resources within and among divisions and/or geographic locations.
4. A demonstration of a tangible commitment to EEO and affirmative action.
5. Satisfaction of employees' personal development needs.
6. Improvement of performance through on-the-job training experiences provided by horizontal and vertical career moves.
7. Increased employee loyalty and motivation, leading to decreased turnover.
8. A method of determining training and development needs.

a. **Individual career planning** — Career planning begins with self-understanding. Then, the person is in a position to establish realistic goals and determine what to do to achieve these goals. Learning about oneself is referred to as *self-assessment*. Some useful tools include a strength/weakness balance sheet and a likes and dislikes survey.

1. **Strength/weakness balance sheet**: A self-evaluation procedure assists people in becoming aware of their strengths and weaknesses.

2. **Likes and dislikes survey**: A procedure that assists individuals in recognizing restrictions they place on themselves.

b. **Career Assessment on the Web —** The Web has numerous tests and assessments sites available to assist job seekers.

c. **Organizational Career Planning —** The process of establishing career paths within a firm.

II. Career Paths

Career paths have historically focused on upward mobility within a particular occupation. One of four types of career paths may be used: traditional, network, lateral, and dual.

a. Traditional Career Path—An employee progresses vertically upward in the organization from one specific job to the next.

b. **Network Career Path**—A method of career pathing that contains both a vertical sequence of jobs and a series of horizontal opportunities.

c. **Lateral Skill Path**—Traditionally, a career path was viewed as moving upward to higher levels of management in the organization. The availability of the previous two options has diminished considerably in recent years. But this does not mean that an individual has to remain in the same job for life. There are often lateral moves within the firm that can be taken to allow an employee to become revitalized and find new challenges.

d. **Dual-Career Path**— A career-path method, that recognizes that technical specialists can and should be allowed to continue to contribute their expertise to a company without having to become managers.

e. **Adding Value To Retain Present Job**—Regardless of the career path pursued, today's workers need to develop a plan whereby they are viewed as continually *adding value* to the organization. If employees cannot add value, the company does not need them, and much of the evolving work environments cannot use them either. Workers must anticipate what tools will be needed for success in the future and obtain these skills. These workers must look across company lines to other organizations to determine what skills are transferable, and then go and get them. Essentially, today's workers must manage their own careers as never before.

f. **Demotion**—Demotions have long been associated with failure, but limited promotional opportunities in the future and the fast pace of technological change may make them more legitimate career options.

III. Career Development

A formal approach taken by an organization to help its people acquire the skills and experiences needed to perform current and future jobs is termed as career development. Company's policies especially policies regarding promotion, counseling the employees, opportunities to excel in future help employees to develop their career. Career development consists of skills, education and experiences as well as behavioral modification and refinement techniques that allow individuals to work better and add value.

Career development is an ongoing organized and formalized effort that recognizes people as a vital organizational resource. It differs from training in that it has a wider focus, longer time frame, and broader scope. The goal of training is improvement in performance; the goal of development is enrichment and more capable workers.

Recently, career development has come to be seen as a means for meeting both organizational and employee needs, as opposed to solely meeting the needs of the organization as it had done in the past. Now, organizations see career development as a way of preventing job burnout, providing career information to employees, improving the quality of work lives and meeting affirmative action goals. That is, career development must be seen as a key business strategy if an organization wants to survive in an increasingly competitive and global business environment.

IV. Career Planning and Development Methods

There are numerous methods for career planning and development. Some currently utilized methods, most of which are used in various combinations, are discussed next.

a. **Discussions with Knowledgeable Individuals**—In a formal discussion, the superior and subordinate may jointly agree on what type of career planning and development activities are best. In other instances, psychologists and guidance counselors provide this service. In an academic setting, colleges and universities often provide career planning and development information to students. Students often go to their professors for career advice.

b. **Company Material—**Some firms provide material specifically developed to assist their workers in career planning and development. Such material is tailored to the firm's special needs. In addition, job descriptions provide valuable insight for individuals to personally determine if a match exists with their strengths and weaknesses and specific positions considered.

c. **Performance Appraisal System—**The firm's performance appraisal system can also be a valuable tool in career planning and development. Noting and discussing an employee's strengths and weaknesses with his or her supervisor can uncover developmental needs. If overcoming a particular weakness seems difficult or even impossible, an alternate career path may be the solution.

d. **Workshops—**Some organizations conduct workshops lasting two or three days for the purpose of helping workers develop careers within the company. Employees define and match their specific career objectives with the needs of the company. At other times, workshops are available in the community that the company may send the worker to or workers may initiate the visit themselves.

e. **Personal Development Plans (PDP)—**Many employers encourage employees to write their own personal development plans. This is a summary of a person's personal development needs and an action plan to achieve them. Workers are encouraged to analyze their strengths and weaknesses.

f. **Software Packages—**Some software packages assist employees in navigating their careers.

g. **Career Planning Web Sites—**There are numerous Web sites available that provide career planning and career counseling as well as career testing and assessment.

V. Challenges in Career Development

While most business people today agree that their organizations should invest in career development, it is not always clear exactly what form this investment should take. Before putting a career development program in place, management needs to consider three major challenges.

a. Who will be Responsible?

Many modern organizations have concluded that employees must take an active role in planning and implementing their own personal development plans. Situations have led companies to encourage their employees to take responsibility for their own development; these may include mergers, acquisitions, downsizing, and employee empowerment. However, employees need at least general guidance regarding the steps they can take to develop their careers, both within and outside the company.

b. How Much Emphasis is Appropriate?

Too much emphasis on career enhancement can harm an organization's effectiveness. Employees with extreme career orientation can become more concerned about their image than their performance. Some warning signs a manager should be on the lookout for include a heavy focus on advancement opportunities, managing impressions, and socializing **versus** job performance.

Serious side effects of career development programs include employee dissatisfaction, poor performance, and turnover in the event that it fosters unrealistic expectations for advancement.

c. How Will the Needs of a Diverse Work Force be Met?

Companies need to break down the barriers some employees face in achieving advancement in order to meet the career development needs of today's diverse work force. In 1991, a government study revealed that women and minorities are frequently excluded from the informal career development activities like networking, mentoring, and participation in policy-making committees.

Perhaps the best way a company can ensure that women and minorities have a fair chance at managerial and executive positions is to design a broad-based approach to employee development that is anchored in education and training.

Another employee group that may need special consideration consists of dual-career couples. Common organizational approaches that are becoming increasingly popular in dealing with the needs of dual career couples are flexible work schedules, telecommuting, and the offering of child-care services. Some companies have also been counseling couples in career management.

Meeting the Challenges of Effective Career Development

Creative decision making is a must in designing and implementing an effective development program. The three phases of development often blend together in a real life program. These three phases include the assessment phase, the direction phase, and the development phase.

a. **The Assessment Phase**

The assessment phase involves activities ranging from **self-assessment** to **organizationally provided assessment**. The goal of both of these types of assessment is to identify employees' strengths and weaknesses.

b. **The Direction Phase**

This involves determining the type of career that employees want and the steps they must take to make their career goals a reality. It involves:

1. Individual career counseling
2. Information services

c. **The Development Phase**

The development phase is taking actions to create and increase skills to prepare for future job opportunities and is meant to foster this growth and self-improvement. The methods are

1. *Mentoring & Coaching :* It has become increasingly clear over the years that employees who aspire to higher management levels in the organization often need the assistance and advocacy of someone higher up in the organization. When senior employee takes an active role in guiding another individual, we refer to this activity as mentoring and coaching. This can occur at any level and can be most effective when the two individuals do not have any type of reporting relationship.
2. *Job Rotation*: Involves moving employees from one job to another for the purpose of providing them with broader experience.
3. *Tuition Assistance Programs:* To help individuals plan their careers, organizations try to provide additional information in order to have better choice of the career.

- **Self-Development**

When an employer does not routinely offer development programs, it is essential that employees work out their own development plan. Planning for your career should include a consideration of how you can demonstrate that you make a difference to the organization.

- **Development Suggestions**

Development suggestions focus on personal growth and direction. These suggestions include statements such as "Create your own personal mission statement."

- **Advancement Suggestion**

Advancement suggestions focus on the steps that employees can take to improve their chances of being considered for advancement. These suggestions include statements such as "Remember that performance in your function is important, but interpersonal performance is critical."

Career-Impacted Life Stages

Each person's career goes through stages that influence an individual's knowledge of, and preference for, various occupations. People change constantly and, thus, view their careers differently at various stages of their lives. Some of these changes result from the aging process and others from opportunities for growth and status. The main stages of the career cycle include the growth, exploration, establishment, maintenance, and decline.

a. **Growth Stage**: The growth stage is roughly from birth to age 14 and is a period during which an individual develops a self-concept by identifying and interacting with other people. Basically, during this stage an individual establishes his or her identity.

b. **Exploration Stage**: The exploration stage is the period roughly from ages 15 to 24, during which an individual seriously explores various occupational alternatives. The person attempts to match these occupational alternatives with his or her own interests and abilities resulting from education, leisure activities, and work.

c. **Establishment Stage**: The establishment stage is roughly from ages 25 to 44 and is the primary part of most people's work lives. Hopefully, during this period, a suitable occupation is found and the person engages in those activities that help earn a permanent career. During this period, the individual is continually testing personal capabilities and ambitions against those of

d. **Maintenance Stage**: Between the ages of 45 to 65, many people move from the stabilization sub stage into the maintenance stage. During maintenance, the individual has usually created a place in the work world, and most efforts are directed at maintaining the career gains earned.

e. **Decline Stage**: As retirement becomes an inevitable reality, in the decline stage, there is frequently a period of adjustment, where many begin to accept reduced levels of power and responsibility.

Key Terms

Career:	Career can be defined as a general course of action a person chooses to pursue throughout his or her working life.
Career planning:	Career planning is an ongoing process through which an individual sets career goals and identifies the means to achieve them.
Career Paths:	Career paths have historically focused on upward mobility within a particular occupation.
Career Development	A formal approach taken by an organization to help people acquire the skills and experiences needed to perform current and future jobs is termed as career development.
Mentoring & Coaching	When senior employee takes an active role in guiding another individual, we refer to this activity as mentoring and coaching.
Dual-Career Path	A career-path method, that recognizes that technical specialists can and should be allowed to continue to contribute their expertise to a company without having to become managers.

LESSON 25

PERFORMANCE

After studying this chapter, students should be able to understand the following:

M. Internal Barriers to Career Advancement
N. Successful Career-Management Practices
O. Individual and Organizational Perspectives on Career Planning
P. Performance

LESSON OVERVIEW

In this lecture, we will discuss the barriers to effective career development. Next, we will learn about some basic concepts of performance. We will also discuss an important function of effective management is accurate measurement of employee performance. This chapter discusses the foundation, design, and implementation of performance measurement systems. In addition, it describes the principles of effective performance management.

A. Internal Barriers to Career Advancement

There can be following types of barrier that can influence the effectiveness of the career advancement.

- Lack of time, budgets, and resources for employees to plan their careers and to undertake training and development.
- Rigid job specifications, lack of leadership support for career management, and a short-term focus.
- Lack of career opportunities and pathways within the organization for employees

B. Successful Career-Management Practices

Following steps can be helpful towards successful career management practices in the organizations.

- Placing clear expectations on employees.
- Giving employees the opportunity for transfer.
- Providing a clear succession plan
- Encouraging performance through rewards and recognition.
- Encouraging employees to continually assess their skills and career direction.
- Giving employees the time and resources they need to consider short- and long-term career goals.

C. Individual and Organizational Perspectives on Career Planning:

Effective career planning, that is ensured with monitoring to record the failures and successes, provides continuous chances and opportunities to employees towards career development that will definitely produce more committed and effective workforce.

D. Performance:

Performance can be defined as efforts along with the ability to put efforts supported with the organizational policies in order to achieve certain objectives.

Performance is the function of:

a) **Ability:** The basic skills possessed by the individual that are required to give certain performance enhance the level of performance.
b) **Motivation:** Activities in HRM concerned with helping employees exert high energy levels and to get performance in desirable direction.
c) **Opportunity:** Circumstances under which performance is



I. Determinants of Job Performance

There are three basic determinants of the job they are as following:

1) **Willingness to perform:** If employee is performing tasks and responsibilities in the organization with willingness level of the performance will be high and will be up to the standards.
2) **Capacity to Perform**: If the basic qualifications abilities and skills required performing specific tasks are possessed by the employees the level of performance will be in accordance with the set standards and vice versa.
3) **Opportunity to Perform**: Favorable circumstances and opportunities to perform the challenging tasks which are more contributory towards achievement of the organization's mission and objective can be reasons to have more effective performance from employees.



II. Sample Core Performance Indicators

These indicators are used to measure Organizational Effectiveness. Researchers see primary management tasks as control, innovation, and efficiency. Control means dominating the external environment, attracting resources, and using political processes. Innovation entails developing skills to discover new products and processes and designing adaptable structures and cultures. Efficiency involves developing modern plants for rapid, low-cost production, fast distribution, and high productivity.

a. The External Resource Approach: Control

Using the external resource approach, managers evaluate a firm's ability to manage and control the external environment. Indicators include stock price, profitability, return on investment, and the quality of a company's products. An important factor is management's ability to perceive and respond to environmental change. Stakeholders value aggressiveness and an entrepreneurial spirit.

b. The Internal Systems Approach: Innovation

Using the internal systems approach, managers evaluate organizational effectiveness. Structure and culture should foster flexibility and rapid response to market changes. Flexibility fosters innovation. Innovation is measured by the time needed for decision making, production, and coordinating activities.

c. The Technical Approach: Efficiency

The technical approach is used to evaluate efficiency. Effectiveness is measured by productivity and efficiency (ratio of outputs to inputs). Productivity gains include increased production or cost reduction. Productivity is measured at all stages of production. Service companies could measure sales per employee or the ratio of goods sold to goods returned. Employee motivation is an important factor in productivity and efficiency.

d. Measuring Effectiveness: Organizational Goals

Organizational effectiveness is evaluated by both official and operative goals. Official goals are the formal mission of an organization. Operative goals are specific long-term and short-term goals that direct tasks. Managers use operative goals to measure effectiveness. To measure control, managers examine market share and costs; to measure innovation, they review decision-making time. To measure efficiency, they use benchmarking to compare the company to competitors. A company may be effective in one area and ineffective in another. Operative goals must be consistent with official goals.

III. Why is performance measured?

- Enhances motivation & productivity
- Assists in validation studies
- Detects problems
- Helps evaluate change efforts
- Provides basis for making decisions
- Differentiates employees in job-related areas
- Helps ensure legal compliance

IV. Performance Management

A process that significantly affects organizational success by having managers and employees work together to set expectations, review results, and reward performance. Performance management is a means of getting better results… by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements. It is a process to establish a shared understanding about what is to be achieved, and an approach to managing and developing people so that it will be achieved. The Goal of measuring performance is to improve the effectiveness & efficiency of the organization by aligning the employee's work behaviors & results with the organization's goals improving the employee's work behaviors & results. It is on-going, integrative process.

Key Terms

Performance: Performance can be defined as efforts along with the ability to put efforts supported with the organizational policies in order to achieve certain objectives.

Motivation: Activities in HRM concerned with helping employees exert high energy levels and to get performance in desirable direction.

Performance Management: A process that significantly affects organizational success by having managers and employees work together to set expectations, review results, and reward performance.

LESSON 26

PERFORMANCE APPRAISAL

After studying this chapter, students should be able to understand the following:

A. PERFORMANCE APPRAISAL

LESSON OVERVIEW

We begin this chapter by defining *performance appraisal* and identifying the uses of performance appraisal. We then explain environmental factors affecting performance appraisal and the performance appraisal process. Then, we identify the aspect of a person's performance that should be evaluated, who will be responsible for appraisal, and the appraisal period. Next, we discuss the various performance appraisal methods, problems associated with performance appraisal, and characteristics of an effective appraisal system.

A. Performance Appraisal

Performance appraisal is a system of review and evaluation of an individual or team's job performance. An effective system assesses accomplishments and evolves plans for development. Performance management is a process that significantly affects organizational success by having managers and employees work together to set expectations, review results, and reward performance. Its goal is to provide an accurate picture of past and / or future employee performance. To achieve this, performance standards are established.

I. The Performance Appraisal Process

Many of the external and internal environmental factors previously discussed can influence the appraisal process. Legislation requires that the appraisal systems be nondiscriminatory. The labor union might affect the appraisal process by stressing seniority as the basis for promotions and pay increases. Factors within the internal environment can also affect the performance appraisal process. The type of corporate culture can serve to help or hinder the process. Identification of specific goals is the starting point for the PA process. After specific appraisal goals have been established, workers and teams must understand what is expected from them in their tasks. Informing employees of what is expected of them is a most important employee relations task. At the end of the appraisal period, the appraiser observes work performance and evaluates it against established performance standards. The evaluation results are then communicated to the workers. The performance evaluation discussion with the supervisor serves to reestablish job requirements.

Steps in the performance appraisal process

- Identify the specific performance appraisal goals.
- Establish job expectations (job analysis).
- Examine work performed.
- Appraise performance.
- Discuss appraisal with employee.

II. Uses Of Performance Appraisal

Performance appraisal serves two types of the objectives one is to make the evaluation decisions and other is to provide the need assessment source for the training and development if there is a gap between actual and expected performance. For many organizations, the primary goal of an appraisal system is to improve performance. A system that is properly designed and communicated can help achieve organizational objectives and enhance employee performance. In fact, PA data are potentially valuable for use in numerous human resource functional areas.

a. **Human Resource Planning**—In assessing a firm's human resources, data must be available that describe the promotability and potential of all employees, especially key executives.
b. **Recruitment And Selection—**Performance evaluation ratings may be helpful in predicting the future performance of job applicants.
c. **Training And Development—**A performance appraisal should point out an employee's specific needs for training and development. By identifying deficiencies that adversely affect performance, human resource and line managers are able to develop T&D programs that permit individuals to build on their strengths and minimize their deficiencies.
d. **Career Planning And Development—**Career planning and development may be viewed from

e. **Compensation Programs—**Performance appraisal results provide the basis for decisions regarding pay increases.
f. **Internal Employee Relations—**Performance appraisal data are also frequently used for decisions in areas of internal employee relations including motivation, promotion, demotion, termination, layoff, and transfer.
g. **Assessment Of Employee Potential—**Some organizations attempt to assess employee potential as they appraise job performance.

III. What to Evaluate?

What aspect of a person's performance should an organization evaluate? In practice, the most common sets of appraisal criteria are traits, behaviors, and task outcomes.

a. **Traits**—Many employees in organizations are evaluated on the basis of certain traits such as *attitude*, *appearance*, *initiative*, etc.
b. **Behaviors**—When an individual's task outcome is difficult to determine, it is common to evaluate the person's task-related behavior.
c. **Task Outcomes**—If ends are considered more important than means, task outcomes become the most appropriate factor to evaluate.
d. **Improvement Potential**—Some attention must be given to the future and the behaviors and outcomes that are needed to not only develop the employee, but also to achieve the firm's goals. This involves an assessment of the employee's potential.

IV. Performance Appraisal Methods

The type of performance appraisal system utilized depends on its purpose. If the major emphasis is on selecting people for promotion, training, and merit pay increases, a traditional method such as rating scales may be most appropriate. Collaborative methods are designed to assist employees in developing and becoming more effective.

a. **360-Degree Feedback**—Involves input from multiple levels within the firm and external sources as well.
b. **Rating Scales—**Rates employees according to defined factors. The factors chosen for evaluation are typically of two types: job related and personal characteristics.
c. **Critical Incidents—**Requires written records be kept of highly favorable and highly unfavorable work actions.
d. **Essay—**The rater simply writes a brief narrative describing the employee's performance. This method tends to focus on extreme behavior in the employee's work rather than routine day-to-day performance**.**
e. **Work Standards—**Compares each employee's performance to a predetermined standard, or expected level of output.
f. **Ranking—**The rater simply places all employees in a given group in rank order on the basis of their overall performance. Paired comparison is a variation of the ranking method that involves comparing the performance of each employee with every other employee in the group**.**
g. **Forced Distribution—**An appraisal approach where the rater is required to assign individuals in the work group to a limited number of categories similar to a normal frequency distribution.
h. **Forced-Choice And Weighted Checklist Performance Reports—**The forced-choice performance report is a technique in which the appraiser is given a series of statements about an individual and the rater indicates which items are most or least descriptive of the employee. The weighted checklist performance report is a technique whereby the rater completes a form similar to the forced-choice performance report, but the various responses have been assigned different weights.
i. **Behaviorally Anchored Rating Scales—**A performance appraisal method that combines elements of the traditional rating scales and critical incidents methods.
j. **Results-Based Systems—**In a result-based system the superior and the subordinate jointly agree on objectives for the next appraisal period.
k. **Assessment Centers—**Recognizing the differences in purposes, and the difficulty that a PA system will have in achieving both aims, some firms opt to use an assessment center as an adjunct to their appraisal system
l. **Management by objectives (MBO)—**It is a goal-oriented performance appraisal method, requires that supervisors and employees determine objectives for employees to meet during the rating period, and the employees appraise how well they have achieved their objectives

m. **The Appraisal Interview**

The appraisal interview is the Achilles' heel of the entire evaluation process.

- **Scheduling the Interview**—Supervisors usually conduct a formal appraisal interview at the end of an employee's appraisal period.
- **Interview Structure**—A successful appraisal interview should be structured in a way that allows both the supervisor and the subordinate to view it as a problem solving rather than a faultfinding session.
- **Use of Praise and Criticism**—Praise should be provided when warranted, but it can have only limited value if not clearly deserved. Criticism, even if warranted, is especially difficult to give.
- **Employees' Role**—Two weeks or so before the review, they should go through their diary or files and make a note of every project worked on, regardless of whether they were successful or not.
- **Use of Software—**Computer software is available for recording the appraisal data.
- **Concluding the Interview**—Ideally, employees will leave the interview with positive feelings about management, the company, the job, and themselves.

V. Responsibility For Appraisal

In most organizations, the human resource department is responsible for coordinating the design and implementation of performance appraisal programs. However, it is essential that line managers play a key role from beginning to end.

a. **Immediate Supervisor**—An employee's immediate supervisor traditionally has been the most common choice for evaluating performance.
b. **Subordinates**—Some managers have concluded that evaluation of managers by subordinates is feasible.
c. **Peers**—Peer appraisal has long had proponents who believed that such an approach is reliable if the work group is stable over a reasonably long period of time and performs tasks that require considerable interaction.
d. **Self-Appraisal**—If individuals understand the objectives they are expected to achieve and the standards by which they are to be evaluated, they are—to a great extent—in the best position to appraise their own performance.
e. **Customer Appraisal**—The behavior of customers determines the degree of success a firm achieves. Therefore, some organizations believe it is important to obtain performance input from this critical source.

VI. PROBLEMS IN PERFORMANCE APPRAISAL

Many performance appraisal methods have been severely criticized. Many of the problems commonly mentioned are not inherent in the method but, rather, reflect improper usage.

a. **Lack of Objectivity**— A potential weakness of traditional methods of performance appraisal is that they lack objectivity. Some subjectivity will always exist in appraisal methods. However, the use of job-related factors does increase objectivity.
b. **Halo Error**—Occurs when the evaluator perceives one factor as being of paramount importance and gives a good or bad overall rating to an employee based on this factor.
c. **Leniency/Strictness**—The giving of undeserved high or low ratings.
d. **Central Tendency**—Occurs when employees are incorrectly rated near the average or middle of the scale.
e. **Recent Behavior Bias**—It is only natural to remember recent behavior more clearly than actions from the more distant past. However, performance appraisals generally cover a specified period of time, and an individual's performance should be considered for the entire period.
f. **Personal Bias**—Supervisors doing performance appraisals may have biases related to their employees' personal characteristics such as race, religion, gender, disability, or age group.
g. **Manipulating the Evaluation**—In some instances, supervisors control virtually every aspect of the appraisal process and are therefore in a position to manipulate the system.

Key Terms

Performance: Performance appraisal is a system of review and evaluation of an individual or team's job performance.

Halo Error: Occurs when the evaluator perceives one factor as being of paramount importance and gives a good or bad overall rating to an employee based on this factor.

MBO: It is a goal-oriented performance appraisal method, requires that supervisors and employees determine objectives for employees to meet during the rating period, and the employees appraise how well they have achieved their objectives.

360-Degree Feedback: Involves input from multiple levels within the firm and external sources as well.

Central Tendency: Occurs when employees are incorrectly rated near the average or middle of the scale.

LESSON 27

JOB EVALUATION AND PRICING

After studying this chapter, students should be able to understand the following:

A. **The Appraisal Period**
B. **Job Evaluation**

LESSON OVERVIEW
This lecture discusses the career management concepts and their application in detail.

A. THE APPRAISAL PERIOD

Performance evaluations are typically prepared at specific intervals. In most organizations these evaluations are made either annually or semiannually. The appraisal period may begin with each employee's date of hire, or all employees may be evaluated at the same time.

I. The Line Manager and Performance Appraisal:

Line managers have the following responsibilities in appraising the performance.

- **Complete the ratings**: Line managers facilitate the overall rating process, initially by providing goals to be achieved than comparing those goals with actual performance and finally providing the feedback to make the corrective actions if required.
- **Provide performance feedback**: Performance always requires feedback, if it is positive than feedback will act as a positive reinforcement factor that will lead to more improvement and if the performance is poor, it again requires feedback so that the poor performance can be improved by taking corrective steps. This task of providing feedback is carried out and facilitated by line managers.
- **Set performance goals**: Performance to b evaluated requires set standards, goals or benchmarks against which it can be compared for evaluation purpose these goals are provided by the line mangers.

II. Role of HRM Department in Performance Appraisal:

HRM department performs the following functions during performance appraisal process.

- **Develop the appraisal system**: HRM department plays important role in formulating the performance appraisal systems, it facilitated different departments in setting performance standards and acquiring appropriate appraisal performance method according to the requirements of particular department it also provides monitoring in appraising the performance of employees and hence are necessary for developing effective performance appraisal systems.

- **Provide rater training**: Evidence indicates that the training of appraisers can make them more accurate raters. The raters are bothered to be trained because, a poor appraisal is worse than no appraisal at all. Training can help raters to avoid and eliminate the basic appraisal errors. Raters are provided with the training opportunity through HRM department.

- **Monitor and evaluate the appraisal system**: Any system to be run and implemented effectively requires continuous monitoring. Performance appraisal is very important in any kind of organization both for employee as well as employer because many decisions are supposed to be made on data and result provided by the performance appraisal like, promotions, demotions and some times termination etc . To achieve more authentic and fair results through performance appraisal systems it requires monitoring and supervision which is performed by the HRM department.

III. Performance Appraisal Failures:

Some times performance appraisal process do not satisfy the purpose for which it is conducted, that means **it is faced with some failures** and there are certain reasons, these reasons are as under:

1. Manager lacks information
2. Lack of appraisal skills
3. Manager not taking appraisal seriously
4. Manager not prepared
5. Employee not receiving ongoing feedback
6. Manager not being honest or sincere
7. Ineffective discussion of employee development
8. Unclear language
9. Insufficient reward for performance

IV. Strategies for Improving Performance:

If performance appraisal process indicates the poor performance of the employees than the following strategies can be used to improve the performance of the employees and even for good performance these strategies can be used to keep on the trend. These strategies are as under:

a. Positive Reinforcement:

Applying a valued consequence that increases the likelihood that the person will repeat the behavior that led to it is termed as positive reinforcement. Examples of positive reinforcement include compliments, letters of recommendations, favorable performance appraisal, and pay raises. Equally important, Jobs can be positively reinforcing.

b. Punishment:

Punishment means administering an aversive consequence. Examples include criticizing or shouting at an employee, assigning an unappealing task, and sending a worker home without pay. Punishment strategy can be used to improve the performance of employees.

c. Self Management:

Many companies empower their employees to take responsibility for the day to day functions in their areas. Accordingly, these employees may now work without direct supervision and take on the administrative responsibilities that were once performed by their supervisor.

d. Employee Assistance Programs (EAPs):

Specific programs designed to help employees with personal problems. No matter what kind of organization one works in, one thing is certain. Whether that problem is job stress, legal, marital, financial, or health related, one commonality exists: if an employee experiences a personal problem, sooner or later it will manifest itself at the work place in terms of lowered productivity, increased absenteeism, or turnover. To help employees deal with these personal problems, more and more companies are implementing employee assistance programs.

V. Characteristics Of An Effective Appraisal System (Designing An Appraisal System)

Validation studies of an appraisal system may be the most direct and certain approach to determining whether the system is satisfactory. It is unlikely that any appraisal system will be totally immune to legal challenge. However, systems that possess certain characteristics may be more legally defensible.

a. **Job-Related Criteria**—The criteria used for appraising employee performance must be job related. The *Uniform Guidelines* and court decisions are quite clear on this point.
b. **Performance Expectations**—Managers must clearly explain their performance expectations to their subordinates in advance of the appraisal period.
c. **Standardization**—Employees in the same job categories under a given supervisor should be appraised using the same evaluation instrument.
d. **Trained Appraisers**—Responsibility for evaluating employee performance should be assigned to the individual(s) who have an opportunity to directly observe a representative sample of job performance. In order to ensure consistency, appraisers must be well trained.
e. **Open Communication**—A good appraisal system provides highly desired feedback on a continuing basis.
f. **Employee Access To Results**—Employees will not trust a system they do not understand.
g. **Due Process**—A formal procedure should be developed—if one does not exist—to permit employees the means for appealing appraisal

Effectiveness of the appraisal can be created by considering following steps.

- Gain support for the system
- Choose the appropriate rating instrument
- Choose the raters
- Determine the appropriate timing of appraisals
- Ensure appraisal fairness

B. Job Evaluation

Job evaluation means systematically determining relative worth of jobs to create job structure. An attempt to identify inputs that are most valuable to the organization & to develop job hierarchy based on which jobs have more or less of those dimensions

Job Evaluation Methods:

The essence of compensation administration is job evaluation and the establishment of the pay structure. Let's now turn our attention to the topic of job evaluation. By job evaluation we mean using the information in job analysis to systematically determine the value of each job in relation to all jobs with in the organization. In short, job evaluation seeks to rank all the jobs in the organization and place them in a hierarchy that will reflect the relative worth of each. There are four general job evaluation methods.

a. Ranking method:

Raters examine the description of each job being evaluated and arrange the jobs in order according to their value to the company. This method requires a committee – typically composed of both management and employee representative – to arrange job in a simple rank order from highest to lowest. No attempts are made to break down the jobs by specific weighted criteria. The committee members merely compare two jobs and judge which one is more important, or more difficult to perform. Then they compare the other job with the first two, and so on until all the jobs have been evaluated and ranked.

The most obvious limitation to the ranking method is its sheer inability to be managed when there are a large number of jobs. Other drawbacks to be considered are the subjectivity of the method- there are no definite or consistent standards by which to justify the rankings- and the fact that because jobs are only ranked in terms of order, we have no knowledge of the distance between the ranks.

b. Classification method:

A job evaluation method by which a number of classes or grades are defined to describe a group of jobs is known as Classification method. The classifications are created by identifying some common denominator-skills, knowledge, responsibilities –with the desired goal being the criterion of a number of distinct classes or grades of jobs.

Once the classifications are established, they are ranked in an overall order of importance according to the criteria chosen, and each job is placed in its appropriate classification. This later action is generally done by comparing each position's job description against the classification description and benchmarked jobs.

The classification method shares most of the disadvantages of the ranking approach, plus the difficulty of writing classification descriptions, judging which jobs go where, and dealing with jobs that appear to fall into more than one classification.

c. Factor comparison method:

Raters need not keep the entire job in mind as they evaluate; instead, they make decisions on separate aspects, or factors, of the job. A basic underlying assumption is that there are five universal job factors: (1) Mental Requirements, (2) Skills, (3) Physical Requirements, (4) Responsibilities, and (5) Working Conditions. The committee first rank each of the selected benchmark jobs on the relative degree of difficulty for each of the five factors. Then, the committee allocates the total pay rates for each job to each factor based on the importance of the respective factor to the job. A job comparison scale, reflecting rankings and money allocations, is developed next. The raters compare each job, factor by factor, with those appearing on the job comparison scale. Then, they place the jobs on the chart in an appropriate position.

d. Point method:

Raters assign numerical values to specific job components, and the sum of these values provides a quantitative assessment of a job's relative worth. The point method requires selection of job factors according to the nature of the specific group of jobs being evaluated. After determining the group of jobs to be studied, analysts conduct job analysis and write job descriptions. Next, the analysts select and define the factors to be used in measuring job value and which become the standards used for the evaluation of jobs. Education, experience, job knowledge, mental effort, physical effort, responsibility, and working conditions are examples of factors typically used. The committee establishes factor weights according to their relative importance in the jobs being evaluated, and then determines the total number of points to be used in the plan. A distribution of the point values to job factor degrees is made, with the next step being the preparation of a job evaluation manual.

- Hay guide chart-profile method: A highly refined version of the point method that uses the factors of know-how, problem solving, accountability, and, where appropriate, working conditions.

Key Terms

Job Evaluation: Job evaluation means systematically determining relative worth of jobs to create job structure.

Point Method: Raters assign numerical values to specific job components, and the sum of these values provides a quantitative assessment of a job's relative worth.

Classification Method: A job evaluation method by which a number of classes or grades are defined to describe a group of jobs is known as Classification method.

Ranking Method: Raters examine the description of each job being evaluated and arrange the jobs in order according to their value to the company.

EAPs: Specific programs designed to help employees with personal problems.

Positive Reinforcement: Applying a valued consequence that increases the likelihood that the person will repeat the behavior that led to it is termed as positive reinforcement.

Punishment: Punishment means administering an aversive consequence.

LESSON 28

COMPENSATION SYSTEM

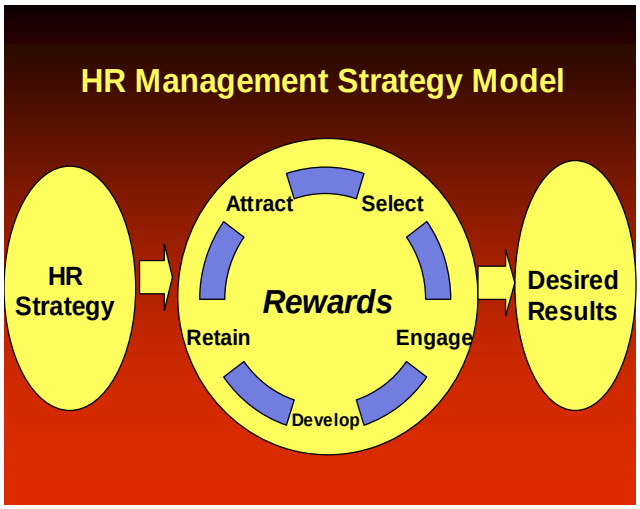
After studying this chapter, students should be able to understand the following:

A. Job Pricing & Developing a Base Pay System
B. Compensation system

LESSON OVERVIEW
We begin this chapter with an overview of compensation and an explanation of compensation equity. Next, we discuss determinants of individual financial compensation and the organization as a determinant of financial compensation. This is followed by a discussion of the labor market, the job, and the employee, as determinants of financial compensation. Finally, job pricing and executive compensation are presented.
To understand the basic concepts of compensation first of all we will define the pay

Pay:
Pay is a statement of an employee's worth by an employer.
Or
Pay is a perception of worth by an employee

HR Management Strategy Model:
Human resource department uses different strategies to mange the workforce so that the desired results can be attained. These desired result as stated in earlier chapters as well, can be attained if organization is able to attract, select, develop and retain workforce in successful manner in short, the effective hiring and retaining workforce can be helpful in achieving organizational goals. This purpose can be attained through fair and effective rewards systems in the organization. Rewards are used as basic motivational tools in the organization so that performance of the employees can be influenced in desirable way. So to be more successful organizations need attractive and fair compensation and reward systems to be paid to the workforce.



A. Job Pricing

Job pricing means placing a dollar value on the worth of a job.

I. **Pay Grades**—The grouping of similar jobs together to simplify the job pricing process. Plotting jobs on a scatter diagram is often useful in determining the appropriate number of pay grades.

II. **Wage Curve**—The fitting of plotted points in order to create a smooth progression between pay grades.

III. **Pay Ranges**—Includes a minimum and maximum pay rate with enough variance between the two to allow some significant pay difference.

IV. **Broad Banding**—A technique that collapses many pay grades (salary grades) into a few wide bands in order to improve organizational effectiveness.

V. **Single-Rate System**—Pay ranges are not appropriate for some workplace conditions. When single rates are used, everyone in the same job receives the same base pay, regardless of seniority or productivity. This rate may correspond to the midpoint of a range determined by a compensation survey.

VI. **Adjusting Pay Rates**—when pay ranges have been determined and jobs assigned to pay grades, it may become obvious that some jobs are overpaid and others underpaid. Underpaid jobs normally are brought to the minimum of the pay range as soon as possible.

B. Compensation: An Overview

i. **Compensation**—The total of all rewards provided employees in return for their services.
ii. **Direct Financial Compensation**—Consists of the pay that a person receives in the form of wages, salaries, bonuses, and commissions.
iii. **Indirect Financial Compensation**—All financial rewards that are not included in direct compensation.
iv. **Non-financial Compensation**—Consists of the satisfaction that a person receives from the job itself or from the psychological and/or physical environment in which the person works. All such rewards comprise a total compensation program.

I. Equity in financial compensation :

Organizations must attract, motivate, and retain competent employees. Because achievement of these goals is largely accomplished through a firm's compensation system, organizations must strive for compensation equity.

a. **Equity**—Workers' perceptions that they are being treated fairly. Compensation must be fair to all parties concerned and be perceived as fair.

b. **External Equity**—Exists when a firm's employees are paid comparably to workers who perform similar jobs in other firms.

c. **Internal Equity**—Exists when employees are paid according to the relative value of their jobs within an organization.

d. **Employee Equity**—Exists when individuals performing similar jobs for the same firm are paid according to factors unique to the employee, such as performance level or seniority.

e. **Team Equity**—Achieved when more productive teams are rewarded more than less-productive teams.

II. Determinants of individual financial compensation:

Compensation theory has never been able to provide a completely satisfactory answer to what an individual is worth for performing jobs.

- The Organization,
- The Labor Market,
- The Job, and
- The Employee

These all have an impact on job pricing and the ultimate determination of an individual's financial compensation.

a. **<u>The Organization as a Determinant of Financial Compensation:</u>**

- **Compensation Policies**—An organization often establishes—formally or informally—compensation policies that determine whether it will be a pay leader, a pay follower, or strive for an average position in the labor market.

1. **Pay Leaders**: Those organizations that pay higher wages and salaries than competing firms.
2. **Market Rate or Going Rate**: The average pay that most employers provide for the same job in a particular area or industry.
3. **Pay Followers**: Companies that choose to pay below the market rate because of poor financial condition or a belief that they simply do not require highly capable employees.

- **Organizational Politics**—Political considerations may also enter into the equation. A sound, objective compensation system can be destroyed by organizational politics. Managers should become aware of this possibility and take appropriate action.

- **Ability to Pay**—An organization's assessment of its ability to pay is also an important factor in determining pay levels. Financially successful firms tend to provide higher-than-average compensation. However, an organization's financial strength establishes only the upper limit of what it will pay.

b. **The labor market as a determinant of financial compensation:**

Potential employees located within the geographical area from which employees are recruited comprise the *labor market*.

- **Compensation Surveys**—Large organizations routinely conduct compensation surveys to determine prevailing pay rates within labor markets.

1. *Compensation surveys:* Provide information for establishing both direct and indirect compensation.

2. *Benchmark job:* A job that is well known in the company and industry, one that represents the entire job structure, and one in which a large percentage of the workforce is employed.

- **Cost of Living**—A pay increase must be roughly the equivalent to the cost of living increase if a person is to maintain a previous level of real wages.

- **Labor Unions**—When a union uses comparable pay as a standard for making compensation demands, the employer must obtain accurate labor market data. When a union emphasizes cost of living, management may be pressured to include a cost-of-living allowance (COLA). This is an escalator clause in the labor agreement that automatically increases wages as the U.S Bureau of Labor Statistics' cost-of-living index rises.

- **Society**—Compensation paid to employees often affects a firm's pricing of its goods and/or services. Consumers may also be interested in compensation decisions.

- **Economy**—In most cases, the cost of living will rise in an expanding economy. Thus, the economy's health exerts a major impact on pay decisions.

- **Legislation**—The amount of compensation a person receives can also be affected by certain federal and state legislation.

c. **The job as a determinant of financial compensation:**

Organizations pay for the value they attach to certain duties, responsibilities, and other job-related factors. Techniques used to determine a job's relative worth include job analysis, job descriptions, and job evaluation.

- **Job Analysis and Job Descriptions**—Before an organization can determine the relative difficulty or value of its jobs, it must first define their content, which it normally does by analyzing jobs. Job analysis is the systematic process of determining the skills and knowledge required for performing jobs. The job description is the primary by-product of job analysis, consisting of a written document that describes job duties and responsibilities. Job descriptions are used for many different purposes, including job evaluation.

- **Job Evaluation**—That part of a compensation system in which a firm determines the relative value of one job compared with that of another.

d. **The employee as a determinant of financial compensation:**

In addition to the organization, the labor market, and the job, factors related to the employee are also essential in determining pay and employee equity.

I. **Performance Based Pay**—PA data provide the input for such approaches as merit pay, variable pay, skill-based pay, and competency-based pay.

1. **Merit Pay**: A pay increase given to employees based on their level of performance as indicated in the appraisal.
2. **Bonus**: The most common type of variable pay for performance and is a one-time award that is not added to employees' base pay.
3. **Skill-based Pay**: A system that compensates employees on the basis of job-related skills and knowledge they possess, not for their job titles.
4. **Competency-Based Pay**: A compensation plan that rewards employees for their demonstrated expertise.

II. **Seniority**—The length of time an employee has been associated with the company, division, department, or job is referred to as *seniority*.

III. **Experience**—Regardless of the nature of the task, very few factors has a more significant impact on performance than experience.

IV. **Membership in the Organization**—Some components of individual financial compensation are given to employees without regard to the particular job they perform or their level of productivity.

V. **Potential**—Organizations do pay some individuals based on their potential.

e. **Political Influence—**Political influence is a factor that obviously should not be used as a determinant of financial compensation. However, to deny that it exists would be unrealistic**.**

f. **Luck—**The expression has often been stated, "It certainly helps to be in the right place at the right time." There is more than a little truth in this statement as it relates to the determination of a person's compensation.

g. **Special Employee Classes—**These include pay for executives, which are discussed in a later section, and pay for professionals and sales employees.

III. Executive Compensation:

Executive skill largely determines whether a firm will prosper, survive, or fail. Therefore, providing adequate compensation for these managers is vital. A critical factor in attracting and retaining the best managers is a company's program for compensating executives.

a) **Determining Executive Compensation**—In determining executive compensation, firms typically prefer to relate salary growth for the highest-level managers to overall corporate performance. In general, the higher the managerial position, the greater the flexibility managers have in designing their jobs.

b) **Types of Executive Compensation**—Executive compensation often has five basic elements: (1) Base Salary, (2) Short-Term Incentives or Bonuses, (3) Long-Term Incentives and Capital Appreciation Plans, (4) Executive Benefits, and (5) Perquisites. The way an executive compensation package is designed is partially dependent on the ever-changing tax legislation.

- **Base Salary:** Salary is obviously important. It is a factor in determining standard of living. Salary also provides the basis for other forms of compensation.
- **Short-Term Incentives or bonuses:** Payment of bonuses reflects a managerial belief in their incentive value. Today, virtually all top executives receive bonuses that are tied to base salary.

- **Long-Term Incentives and Capital Appreciation:** The stock option is a long-term incentive designed to integrate further the interests of management with those of the organization. The typical *stock option plan* gives the manager the option to buy a specified amount of stock in the future at or below the current market price.
- **Executive Benefits:** Executive benefits are generally more generous than those received by other employees because the benefits are tied to their higher salaries. However, current legislation (ERISA) does restrict the value of executive benefits to a certain level above those of other workers.
- **Perquisites (Perks):** Any special benefits provided by a firm to a small group of key executives that are designed to give the executives something extra. A *"golden parachute"* contract is a perquisite that protects executives in the event that their firm is acquired by another.

IV. Compensation for professionals:

People in professional jobs are initially compensated primarily for the knowledge they bring to the organization. Because of this, the administration of compensation programs for professionals is somewhat different than for managers. Many professional employees eventually become managers. For those who do not desire this form of career progression, some organizations have created a dual track of compensation. The dual track provides a separate pay structure for professionals, which may overlap a portion of the managerial pay structure.

V. Sales Compensation:

Designing compensation programs for sales employees involves unique considerations. For example, job content, relative job worth, and job market value should be determined. The straight salary approach is at one extreme in sales compensation. In this method, salespersons receive a fixed salary regardless of their sales levels. At the other extreme, the person whose pay is totally determined as a percentage of sales is on straight commission. Between these extremes, there are endless part salary–part commission combinations. The possibilities increase when various types of bonuses are added to the basic compensation package. In addition to salary, commissions, and bonuses, salespersons often receive other forms of compensation that are intended to serve as added incentives.

Role of Line managers and HRM Department in Compensation:

Line managers perform the function of job evaluation that is base for the compensation systems; according to the worth of the job negotiation regarding the salaries and other benefits is negotiated with potential employees through line mangers. Basic compensation packages are mostly recommended by the line managers in the organizations. All these information is communicated to the employees by HRM department beside communicating this information HRM department also facilitates the departments in establishing rates of pay, monitoring in job evaluation process, and Conducting salary surveys in order to establish procedures for administering pay plans, and to ensure compliance with antidiscrimination laws.

Key Terms

Merit Pay:	A pay increase given to employees based on their level of performance as indicated in the appraisal.
Equity:	Workers' perceptions that they are being treated fairly. Compensation must be fair to all parties concerned and be perceived as fair
External Equity:	Exists when a firm's employees are paid comparably to workers who perform similar jobs in other firms.
Internal Equity:	Exists when employees are paid according to the relative value of their jobs within an organization.
Compensation:	The total of all rewards provided employees in return for their services.
Job Pricing:	Job pricing means placing a dollar value on the worth of a job.

LESSON 29

BENEFITS

After studying this chapter, students should be able to understand the following:

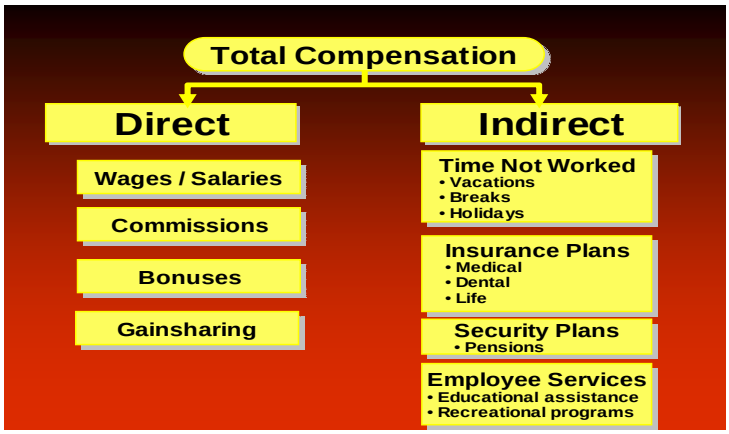
A. **Total Compensation**
B. **Employee Benefits**

LESSON OVERVIEW

We begin the chapter with a discussion of benefits, both mandated and voluntary. Then, legislation related to benefits and the proper communication of information about benefit packages is discussed. Next, we present various types of incentive compensation and describe non-financial compensation and the job as a total compensation factor.

A. Total Compensation

Total compensation constitutes of two types of the rewards which are direct rewards and indirect rewards. Direct rewards include the salaries wages, commission, bonuses and gain sharing all of these rewards are directly paid to employees in monetary or financial terms, second type of the rewards are benefits provided by organization. Benefits are not direct payments in financial terms.



B. Employee Benefits

Benefits are all financial rewards that generally are not paid directly to an employee. Benefits absorb social costs for health care and retirement and can influence employee decisions about employers.

I. Benefits (Indirect Financial Compensation)

Most organizations recognize that they have a responsibility to provide their employees with insurance and other programs for their health, safety, security, and general welfare. These *benefits* include all financial rewards that generally are not paid directly to the employee.

II. Mandated Benefits (Legally Required)

Although most employee benefits are provided at the employer's discretion, others are required by law. Legally required benefits include Social Security, unemployment compensation, and workers' compensation.

a) **Social Security**—It is a system of retirement benefits that provides benefits like disability insurance, survivor's benefits, and, most recently, Medicare.

b) **Unemployment Compensation**—An individual laid off by an organization covered by the Social Security Act may receive unemployment compensation for up to 26 weeks. Although the federal government provides certain guidelines, unemployment compensation programs are administered by the states, and the benefits vary state by state.

c) **Workers' Compensation**—Workers' compensation benefits provide a degree of financial protection for employees who incur expenses resulting from job-related accidents or illnesses.

d) **Family And Medical Leave Act Of 1993 (FMLA)**—The Family and Medical Leave Act applies to private employers with 50 or more employees and to all governmental employers regardless of the number of employees. The act provides for up to 12 workweeks of unpaid leave per year for absences due to the employee's own serious health condition or the need to care for a newborn or newly adopted child or a seriously ill child, parent, or spouse.

III. Discretionary Benefits (Voluntary)

Organizations voluntarily provide numerous benefits. These benefits may be classified as (1) payment for time not worked, (2) health and security benefits, (3) employee services, and (4) premium pay. Generally speaking, such benefits are not legally required.

a) ***Payment For Time Not Worked***—In providing payment for time not worked, employers recognize that employees need time away from the job for many purposes, such as paid vacations, payment for holidays not worked, paid sick leave, jury duty, national guard or other military reserve duty, voting time, and bereavement time. Some payments are provided for time off taken during work hours, such as rest periods, coffee breaks, lunch periods, cleanup time, and travel time.

- Paid Vacations: Payment for time not worked serves important compensation goals. Paid vacations provide workers with an opportunity to rest, become rejuvenated, and hopefully, become more productive.
- Sick Leave: Each year many firms allocate, to each employee, a certain number of days of sick leave, which they can use when ill.

b) ***Health Benefits***—Health benefits are often included as part of an employee's indirect financial compensation. Specific areas include health, dental, and vision care.

- **Health care**: Benefits for health care represent the most expensive and fastest-growing cost in the area of indirect financial compensation. Many factors have combined to create this situation: an aging population, a growing demand for medical care, increasingly expensive medical technology, a lack of price controls, and inefficient administrative processes. In addition to self-insurance and traditional commercial insurers, employers may utilize one of several options. *Health maintenance organizations (HMOs)* are one option in which all services are covered for a fixed fee; however, employers control which doctors and health facilities may be used. *Point-of-service (POS)* permits a member to select a provider within the network, or, for a lower level of benefits, go outside the network. *Preferred provider organizations (PPOs)* are a more flexible managed care system. Although incentives are provided to members to use services within such a system, out-of-network providers may be utilized at greater cost. *Exclusive provider organizations (EPO)* offer a smaller PPO provider network and usually provide little, if any, benefits when an out-of-network provider is used.

- **Capitation**: Typically, the reimbursement method used by primary care physicians is an approach to health care where providers negotiate a rate for health care for a covered life over a period of time. It presumes that doctors have an incentive to keep patients healthy and to avoid costly procedures when they are paid per patient rather than per service.

- **Defined-Contribution** health care system: Companies give each employee a set amount of money annually with which to purchase health care coverage.

- **Utilization Review**: A process that scrutinizes medical diagnoses, hospitalization, surgery, and other medical treatment and care prescribed by doctors.

- **The Health Insurance Portability and Accountability Act of 1996**: Provides new protections for approximately 25 million Americans who move from one job to another, who are self-employed, or who have preexisting medical conditions.

- **Dental and Vision Care**: Relative newcomers to the list of potential health benefits. Both types of plans are typically paid for entirely by the employers.

c) ***Security Benefits***—Security benefits include retirement plans, disability insurance, life insurance, and supplemental unemployment benefits.

- **Retirement Plans**: Private retirement plans provide income for employees who retire after reaching a certain age or having served the firm for a specific period of time. In a *defined benefit plan*, the employer agrees to provide a specific level of retirement income that is either a fixed dollar amount or a percentage of earnings. A *defined contribution plan* is a retirement plan that requires specific contributions by an employer to a retirement or savings fund established for the employee. A *401(k) plan* is a defined contribution plan in which employees may defer income up to a maximum amount allowed. An *employee stock ownership plan (ESOP)* is a defined contribution plan in which a firm makes a tax-deductible contribution of stock shares or cash to a trust.
- **Disability Protection**: Workers' compensation protects employees from job-related accidents and illnesses. Some firms, however, provide additional protection that is more comprehensive.
- **Supplemental Unemployment Benefits (SUB)**: Supplemental unemployment benefits are designed to provide additional income for employees receiving unemployment benefits.
- **Life Insurance**: Group life insurance is a benefit commonly provided to protect the employee's family in the event of his or her death. Although the cost of group life insurance is relatively low, some plans call for the employee to pay part of the premium.

d) ***Employee Services***—Organizations offer a variety of benefits that can be termed employee services. These benefits encompass a number of areas including relocation benefits, child care, educational assistance, food services/ subsidized cafeterias, and financial services.

- **Relocation Benefits**: Include shipment of household goods and temporary living expenses, covering all or a portion of the real estate costs associated with buying a new home and selling the previously occupied home.
- **Child Care**: Another benefit offered by some firms is subsidized *child care*. Here, the firm may provide an on-site child care center, support an off-site center, or subsidize the costs of child care.
- **Educational Assistance**: According to a recent benefits survey, 81 percent have *educational* benefits that reimburse employees for college tuition and books.
- **Food Services/ Subsidized Cafeterias**: Most firms that offer free or subsidized lunches feel that they get a high payback in terms of employee relations.
- **Financial Services**: One *financial benefit* that is growing in popularity permits employees to purchase different types of insurance policies through payroll deduction.
- **Unique Benefits**: A tight labor market gives birth to creativity in providing benefits.

e) ***Premium Pay***—Compensation paid to employees for working long periods of time or working under dangerous or undesirable conditions.

- **Hazard pay**: Additional pay provided to employees who work under extremely dangerous conditions.
- **Shift differentials**: Paid to employees for the inconvenience of working undesirable hours.

f) ***Benefits for Part-Time Employees***—Recent studies indicate that employers are offering this group more benefits than ever. Growth in the number of part-timers is due to the aging of the workforce and also to an increased desire by more employees to balance their lives between work and home.

IV. Other Benefit-Related Legislation

a) **Employee Retirement Income Security Act Of 1974 (ERISA)—**The Employee Retirement Income Security Act of 1974 (ERISA) was passed to strengthen existing and future retirement programs. Mismanagement of retirement funds was the primary factor in the need for this legislation.

b) **Older Workers Benefit Protection Act (OWBPA)—**The Older Workers Benefit Protection Act (OWBPA) is a 1990 amendment to the ADEA and extends its coverage to all employee benefits. The act has an *equal benefit or equal cost* principle.

V. Communicating Information about the Benefits Package

Employee benefits can help a firm recruit and retain a quality workforce. Management depends on an upward flow of information from employees in order to know when benefit changes are needed, and, because employee awareness of benefits is often severely limited, the program information must be communicated downward.

VI. Incentive Compensation

Compensation programs that relate pay to productivity.

a) **Individual Incentive Plans**—A specific form of performance-based pay is an individual incentive plan called *piecework*. In such a plan, employees are paid for each unit produced.

b) **Team-Based Compensation Plans**—Team performance consists of individual efforts. Therefore, individual employees should be recognized and rewarded for their contributions. However, if the team is to function effectively, a reward based on the overall team performance should be provided as well.

c) **Companywide Plans**—Companywide plans offer a feasible alternative to the incentive plans previously discussed. They may be based on the organization's productivity, cost savings, or profitability.

- **Profit Sharing**: A compensation plan that results in the distribution of a predetermined percentage of the firm's profits to employees. There are several variations, but the three basic forms are current, deferred, and combination. *Current plans* provide payment to employees in cash or stock as soon as profits have been determined. *Deferred plans* involve placing company contributions in an irrevocable trust to be credited to the account of individual employees. The funds are normally invested in securities and become available to the employee (or his/her survivors) at retirement, termination, or death. *Combination plans* permit employees to receive payment of part of their share of profits on a current basis, whereas payment of part of their share is deferred. Profit sharing tends to tie employees to the economic success of the firm.
- **Employee Stock Option Plan (ESOP**): A defined contribution plan in which a firm contributes stock shares to a trust.
- **Gain Sharing**: Plans that are designed to bind employees to the firm's performance by providing an incentive payment based on improved company performance. The first gain sharing plan was developed by Joseph Scanlon during the Great Depression, and it continues to be a successful approach to group incentive, especially in smaller firms.
- **Scanlon Plan**: Provides a financial reward to employees for savings in labor costs that result from their suggestions.

VII. Non-financial Compensation

Compensation departments in organizations do not normally deal with non-financial factors. However, non-financial compensation can be a very powerful factor in the compensation equation.

VIII. The job

Some jobs can be so exciting that the incumbent can hardly wait to get to work each day.

IX. The Job as a Total Compensation Factor

The job itself is a central issue in many theories of motivation, and it is also a vital component of a total compensation program.

a) **Skill Variety**—The extent to which work requires a number of different activities for successful completion.
b) **Task Identity**—The extent to which the job includes an identifiable unit of work that is carried out from start to finish.
c) **Task Significance**—The impact that the job has on other people.
d) **Autonomy**—The extents of individual freedom and discretion employees have in performing their jobs.
e) **Feedback**—The amount of information employees receive about how well they have performed the job.
f) **Cyber-work**—A possibility of a never-ending workday created through the use of technology.

X. The Job Environment as a Total Compensation Factor

Employees can draw satisfaction from their work through several non-financial factors.

a) **Sound Policies**—Human resource policies and practices reflecting management's concern for its employees can serve as positive rewards.

b) **Competent Employees**—Successful organizations emphasize continuous development and assure that competent managers and non-managers are employed.

c) **Congenial Coworkers**—Although the American culture has historically embraced individualism, most people possess, in varying degrees, a desire to be accepted by their work group.

d) **Appropriate Status Symbols**—Organizational rewards that take many forms such as office size and location, desk size and quality, private secretaries, floor covering, and title.

e) **Working Conditions**—The definition of *working conditions* has been broadened considerably during the past decade.

XI. Workplace Flexibility

Flexible work arrangements do more than just assist new mothers' return to full-time work. They comprise an aspect of non-financial compensation that allows many families to manage a stressful work/home juggling act.

a) **Flextime**—The practice of permitting employees to choose, with certain limitations, their own working hours.

b) **Compressed Workweek**—Any arrangement of work hours that permits employees to fulfill their work obligation in fewer days than the typical five-day workweek.

c) **Job Sharing**—An approach to work that is attractive to people who want to work fewer than 40 hours per week.

d) **Flexible Compensation (Cafeteria Compensation**)—Plans that permit employees to choose from among many alternatives in deciding how their financial compensation will be allocated.

e) **Telecommuting**—Telecommuting is a work arrangement whereby employees are able to remain at home, or otherwise away from the office, and perform their work over telephone lines tied to a computer.

f) **Part-Time Work**—Use of part-time workers on a regular basis has begun to gain momentum in the United States. This approach adds many highly qualified individuals to the labor market by permitting both employment and family needs to be addressed.

g) **Modified Retirement**—An option that permits older employees to work fewer than regular hours for a certain period of time proceeding retirement. This option allows an employee to avoid an abrupt change in lifestyle and more gracefully move into retirement.

XII. Other Compensation Issues

Several issues that relate to compensation deserve mention. These issues include comparable worth, pay secrecy, and pay compression.

a) **Severance Pay**—Although some firms are trimming the amount of severance pay offered, typically, one to two weeks of severance pay is given for every year of service, up to some predetermined maximum. Severance pay is generally shaped according to the organizational level of the employee.

b) **Comparable Worth**—Requires the value for dissimilar jobs, such as company nurse and welder, to be compared under some form of job evaluation and pay rates for both jobs to be assigned according to their evaluated worth.

c) **Pay Secrecy**—Organizations tend to keep their pay rates secret for various reasons. If a firm's compensation plan is illogical, secrecy may indeed be appropriate because only a well-designed system can stand careful scrutiny. An open system would almost certainly require managers to explain the rationale for pay decisions to subordinates.

d) **Pay Compression**—Occurs when workers perceive that the pay differential between their pay and that of employees in jobs above or below them is too small.

Key Terms

Flextime: The practice of permitting employees to choose, with certain limitations, their own working hours.

Capitation: Typically, the reimbursement method used by primary care physicians is an approach to health care where providers negotiate a rate for health care for a covered life over a period of time.

Disability protection: Workers' compensation protects employees from job-related accidents and illnesses. Some firms, however, provide additional protection that is more comprehensive.

(ESOP): A defined contribution plan in which a firm contributes stock shares to a trust.

Gain sharing: Plans that are designed to bind employees to the firm's performance by providing an incentive payment based on improved company performance

Scanlon plan: Provides a financial reward to employees for savings in labor costs that result from their suggestions.

Telecommuting: Telecommuting is a work arrangement whereby employees are able to remain at home, or otherwise away from the office, and perform their work over telephone lines tied to a computer.

Autonomy: The extent of individual freedom and discretion employees has in performing their jobs.

LESSON 30

ROLE OF MONEY IN PERFORMANCE OF EMPLOYEES

After studying this chapter, students should be able to understand the following:

A. Explain Pay-for-Performance
B. Describe the Role of Money

LESSON OVERVIEW
This chapter focuses on the effective design and implementation of pay-for-performance systems. First, it addresses the major challenges and pitfalls facing managers in their attempts to link pay and performance. Second, the chapter offers a set of general recommendations to deal with pay-for-performance challenges. Third, it describes and analyzes specific types of pay-for-performance programs. Finally, it discusses unique pay-for-performance plans.

A. Pay-for-Performance

Pay for performance refers to any compensation method that ties pay to the quantity or quality of work the person produces. Variable pay plans are pay for performance plans that put a portion of the employee's pay at risk, in return for the opportunity to earn additional pay. Gain-sharing plans are group incentive plans that engage many or all employees in a common effort to achieve productivity goals. Stock options are rights to purchase company stock at a discount some time in the future.
A compensation philosophy of higher pays for higher contributions Performance will be calculated on - corporate performance and personal performance.

I. Challenges of Pay-for-Performance System

a) Pay for Performance: The Challenges
This section covers the attitudes that employees have about pay, the difficulties in measuring performance, the psychological contract, lack of flexibility, the importance of credibility, job satisfaction, stress, and the potential reduction of intrinsic drives.

i. **The "Do Only What You Get Paid For" Syndrome:** The closer pay is tied to particular performance indicators, the more employees tend to focus on those indicators and neglect other important job components

ii. **Negative Effects on the Spirit of Cooperation:** Employees may withhold information from a colleague if they believe that it will help the other person get ahead

iii. **Lack of Control:** Employees often cannot control all of the factors affecting their performance

iv. **Difficulties in Measuring Performance:** Assessing employee performance is one of the thorniest tasks a manager faces, particularly when the assessments are used to dispense rewards

v. **Psychological Contracts:** Once implemented, a pay-for-performance system creates a psychological contract between the employee and firm, and it is very resistant to change

vi. **The Credibility Gap:** Employees often do not believe that pay-for-performance programs are fair or that they truly reward performance

vii. **Job Dissatisfaction and Stress:** Pay-for-performance systems may lead to greater productivity but lower job satisfaction

viii. **Potential Reduction of Intrinsic Drives:** Pay-for-performance systems may push employees to the point of doing whatever it takes to get the promised monetary reward and in the process stifle their talents and creativity

II. Meeting the Challenges of Pay for Performance Systems:

Appropriately designed pay-for-performance systems offer managers an excellent opportunity to align employees' interests with the organizations. Pay for performance programs are not likely to achieve the desired results unless complementary HRM programs are implemented at the same time.

a) **Link Pay and Performance Appropriately:** There are few cases in which managers can justify paying workers according to a pre-established formula or measure.

b) **Use Pay for Performance as Part of a Broader HRM System:** Pay-for-performance programs are not likely to achieve the desired results unless complementary HRM programs accompany them.

c) **Build Employee Trust:** Even the best conceived pay-for-performance program can fail if managers have a poor history of labor relations or if the organization has a cutthroat culture

d) **Promote the Belief that Performance Makes a Difference:** Unless an organization creates an atmosphere in which performance makes a difference, it may end up with a low-achievement organizational culture

e) **Use Multiple Layers of Rewards:** Because all pay-for-performance systems have positive and negative features, providing different types of pay incentives for different work situations is likely to produce better results than relying on a single type of pay incentive

f) **Increase Employee Involvement:** When employees do not view a compensation program as legitimate, they will usually do whatever they can to subvert the system

g) **Use Motivation and Non-financial Incentives:** Some people are more interested in the non-financial aspects of their work

III. Types of Pay-for-Performance Plans

When a pay-for-performance system has multiple layers, it can increase the motivation of individual employees and simultaneously improve cooperation. For example, bonuses given to teams or work units promote cooperation. Bonuses given to individual employees, however, are more motivating because they allow employees to see how their personal contributions lead to direct rewards. Since all pay-for-performance systems have positive and negative features, providing different types of pay incentives for different work situations is likely to produce better results than relying on a single type of pay incentive. With a multiple-layers-of-rewards system, the organization can realize the benefits of each incentive plan while minimizing its negative side effects. Types of pay-for-performance plans vary in design. Some are designed to reward individuals, teams, business units, the entire organization, or any combination of these.

a. Individual-Based Plans

Individual-based plans are the most widely used pay-for-performance plans in industry. There are several plans that can be used: **merit pay**, **bonus programs**, and **awards**. Advantages of individual-based pay-for-performance plans include rewarded performance is likely to be repeated, financial incentives can shape an individual's goals, they help the firm achieve individual equity, and they fit in with an individualistic culture. Disadvantages include they may promote single-mindedness; employees do not believe pay and performance are linked, they may work against achieving quality goals, and they may promote inflexibility.

b. Team-Based Plans

Team-based plans attempt to support other efforts to increase the flexibility of the work force within a firm. These plans normally reward all team members equally based on group outcomes. The advantages of team-based pay-for-performance plans include they foster group cohesiveness and they facilitate performance measurement. Disadvantages include possible lack of fit with individualistic cultural values, the free-riding effect, social pressures to limit performance, difficulties in identifying meaningful groups, and intergroup competition leading to a decline in overall performance.

c. **Plant wide Plans**

These plans reward all workers in a plant or business unit based on the performance of the entire plant or unit. Plant wide plans are generally referred to as **gain sharing** programs because they return a portion of the company's cost savings to the workers, usually in the form of a lump-sum bonus. There are three major types of gain sharing programs: Scanlon Plan, Rucker Plan, and the Improshare. Advantages include eliciting active employee input, increasing the level of cooperation, fewer measurement difficulties, and improving quality. Disadvantages include protection of low performers, problems with the criteria used to trigger rewards, and management-labor conflict.

d. **Corporate wide Plans**

This is the most macro type of incentive program and is based on the entire corporation's performance. The most widely used program of this kind is **profit sharing** which differs from gain sharing in several important ways: no attempt is made to reward workers for productivity improvements, they are very mechanistic, and typically they are used to fund retirement programs. **Employee stock ownership plans** are another type of corporate wide plan. Advantages of corporate wide plans are financial flexibility for the firm, increased employee commitment, and tax advantages. Disadvantages include risk for employees, limited effect on productivity, and long-run financial difficulties.

IV. Designing Pay-For-Performance Plans for Executives and Salespeople

Executives and sales personnel are usually treated very differently than other types of workers in pay-for-performance plans. A number of plans are used to link executives' pay to a firm's performance, but there is little agreement on which is best. Sales professionals may be paid in the form of straight salary, straight commission, or a combination plan. The relative proportion of salary versus incentives varies widely across firms.

V. Reasons for Pay-For-Performance Failures

Following factors are commonly blamed for the failure of individual-based pay-for-performance systems.

- Performance appraisal is inherently subjective, with supervisor's evaluating subordinates according to their own preconceived biases.
- Regardless of the appraisal form used, rating errors are rampant.
- Merit systems emphasize individuals rather than group goals and this may lead to dysfunctional conflict in the organization.
- The use of a specified time period (normally one year) for the performance evaluation encourages a short-term orientation at the expense of long-term goals.
- Supervisors and employees seldom agree on the evaluation, leading to interpersonal confrontations.
- Increments in financial rewards are spaced in such a way that their reinforcement value for work behavior is questionable for example becoming twice as productive now has little perceived effect on pay when the employee must rat a whole year for a performance review.
- Individual merit pay systems are not appropriate for the service sector.
- Supervisors typically control a rather limited amount of compensation, so merit pay differentials are normally quite small and therefore of questionable value.
- A number of bureaucratic factors hat influence the size and frequency of merit pay have little to do with employee performance.
- Performance appraisals are designed for multiple purposes (training and development, selection, work planning, compensation, and so forth.) When a system is used to accomplish so many objectives, it is questionable whether it can accomplish any of them well. It is difficult for the supervisor to play the

B. The Role of Money

Money can be used as a motivational tool in the organization because it is used as a source to fulfil different needs. It affects several needs, not just existence needs. Money is used to prove and enhance the identity id people it influences the self-perceptions.

Improving Reward Effectiveness
Effectiveness of the rewards can be improved by considering the following factors.

- Link rewards to performance
- Ensure rewards are relevant
- Use team rewards for interdependent jobs
- Ensure rewards are valued
- Beware of unintended consequences

I. Money as a Motivator

According to Maslow and Alderfer, pay should prove especially motivational to people who have strong lower-level needs. If pay has this capacity to fulfill a variety of needs, then it should have good potential as a motivator.

II. Why People Leave Organizations:

Mostly people leave the organizations or organizations have to face high turnover rate due to different reasons like employees are not satisfied with benefits provided or the recognition is not provided for extraordinary perfumers these causes should be overcome so that employee loyalty can be increased. Following ways can be used to avoid the high turnover of employees.

- **Use Recognition**

Some employees highly value day-to-day recognition from their supervisors, peers and team members because it is important for their work to be appreciated by others. Recognition helps satisfy the need people have to achieve and be recognized for their achievement.

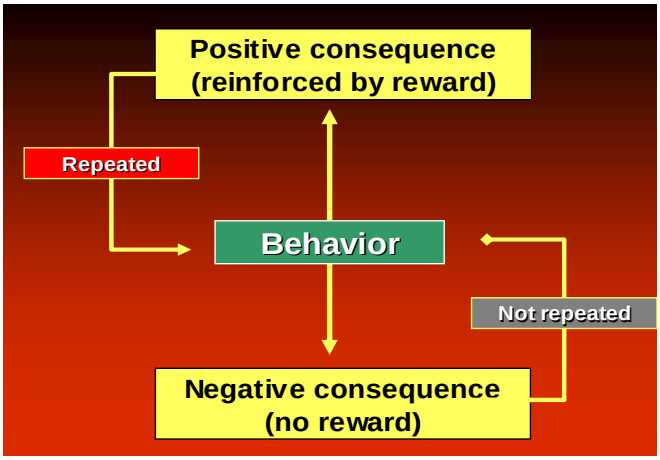
- **Use Positive Reinforcement**

Positive reinforcement programs rely on operant conditioning principles to supply positive reinforcement and change behavior. Experts claim it is better to focus on improving desirable behaviors rather than on decreasing undesirable ones. There are a variety of consequences including social consequences (e.g., peer approval or praise from the boss), intrinsic consequences (e.g., the enjoyment the person gets from accomplishing challenging tasks), or tangible consequences (e.g., bonuses or merit raises).

- **Empower Employees**

Empowerment means giving employees the authority, tools, and information they need to do their jobs with greater autonomy, as well as the self-confidence to perform new jobs effectively. Empowerment boosts employees' feelings of self-efficacy and enables them to use their potential more fully.

Rewards and other Employee Behaviors



Rewards can be used to modify the behaviors of the employees if people in the organization are not satisfied with the reward system or if they think that the reward system of the organization is not fair, than the organizations will be facing problems of low productivity, high absenteeism and high turnover and vice versa. When ever some one performs up to specific standards and some times beyond that , there us always exists demand and expectations of rewards and recognitions that will lead to continuous improvement but in the absence of recognition performance instead of improvement will be facing down fall trends which are definitely harmful for the organizations. Positive consequences (rewards) of actions (performance) are always tending actions to be repeated but in case any action (performance) is followed with the negative consequences (no rewards) than the behavior will jot be repeated as shown in fig.

Key Terms

Pay for Performance Pay for performance refers to any compensation method that ties pay to the quantity or quality of work the person produces.

Empowerment Empowerment means giving employees the authority, tools, and information they need to do their jobs with greater autonomy

LESSON 31

MOTIVATION

After studying this chapter, students should be able to understand the following:

A. **Explain Motivation**

LESSON OVERVIEW

The focus is on managing motivation and outcomes to boost performance, one of the most important roles of any manager. This chapter explores the elements of motivation and introduces the expectancy model, discussing individual, job-related, and organizational influences on motivation. In addition, the chapter investigates how managers can use opportunities and outcomes to manage employee performance on the job.

A. Motivation

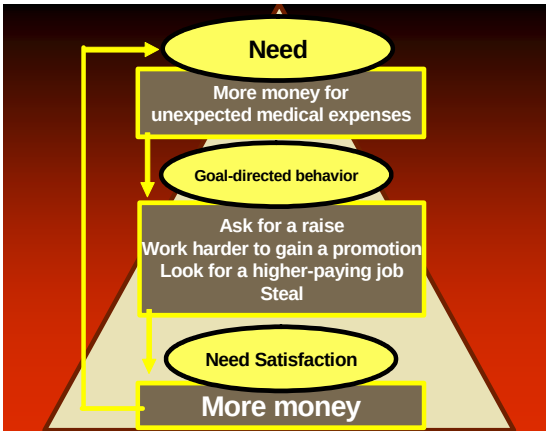
Motivation is the inner drive that directs a person's behavior toward goals. Motivation can be defined as a process which energizes, directs and sustains human behavior. In HRM the term refers to person's desire to do the best possible job or to exert the maximum effort to perform assigned tasks. An important feature of motivation is that it is behavior directed towards goal.

Why is motivation important?

Motivation is important in getting and retaining people. Motivation tools act as the glue that links individuals to organizational goals, In addition, make individuals go beyond the job and be creative.

I. The Motivation Process

In its simplest form, the motivation process begins with a need; an individual's perception of a deficiency .For instance, an employee might feel the need for more challenging work, for higher pay, for time off, or for the respect and admiration of colleagues. These needs lead to thought processes that guide an employee's decision to satisfy them and to follow a particular course of action. If an employee's chosen course of action results in the anticipated out come and reward, that person is likely to be motivated by the prospect of a similar reward to act the same way in the future. However, if the employee's action does not result in the expected reward, he or she is unlikely to repeat the behavior. Thus, the reward acts as feedback mechanism to help the individual evaluate the consequences of the behavior when considering futures action.



II. Core Phases of the Motivational Process:

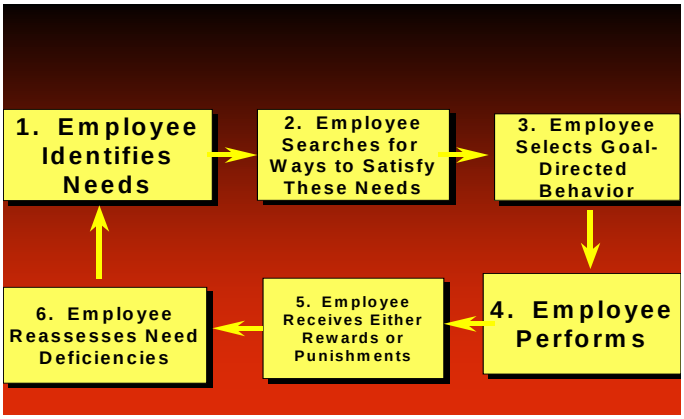
1. **Need Identification**: First phase of motivation process is need identification where the employee feels his/her some unsatisfied need. The motivation process begins with an unsatisfied need, which creates tension and drives an individual to search for goals that, if attained, will satisfy the need and reduce the tension.

2. **Searching Ways to satisfy needs:** Second phase is finding the different alternatives that can be used to satisfy the needs, which were felt in first stage. These needs lead to thought processes that guide an employee's decision to satisfy them and to follow a particular course of action

3. **Selecting Goals**: Once if the need is assessed and employee is able to find out the way to satisfy the need than next phase is selection of goals to be performed.

4. **Employee Performance:** These needs lead to thought processes that guide an employee's decision to satisfy them and to follow a particular course of action in form of performance.

5. **Consequences of performance Reward/punishments:** If an employee's chosen course of action results in the anticipated out come and reward, that person is likely to be motivated by the prospect of a similar reward to act the same way in the future. However, if the employee's action does not result in the expected reward, he or she is unlikely to repeat the behavior



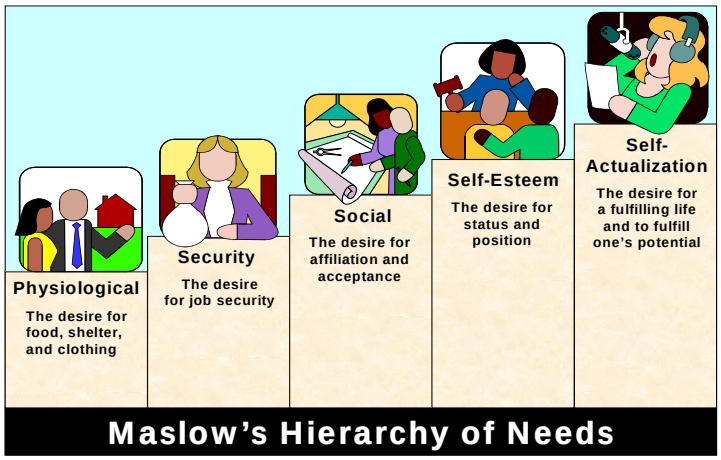
6. **Reassessment of Need deficiencies:** Once felt need is satisfied through certain rewards in response to performance than employee reassesses any deficiencies and entire process is repeated again.

III. Motivational Theories

Motivation theories seek to explain why employees are motivated by and satisfied with one type of work than another. It is essential that mangers have a basic understanding of work motivation because highly motivated employees are more likely to produce a superior quality product or service than employee who lack motivation

a. Maslow's Need Hierarchy

Abraham Maslow organized five major types of human needs into a hierarchy, as shown in Figure. The need hierarchy illustrates Maslow's conception of people satisfying their needs in a specified order, from bottom to top. The needs, in ascending order, are:



1. ***Physiological*** (food, water, and shelter.)
2. ***Safety or security*** (protection against threat and deprivation)
3. ***Social*** (friendship, affection, belonging, and love)
4. ***Ego*** (independence, achievement, freedom, status, recognition, and self-esteem)
5. ***Self-actualization*** (realizing one's full potential; becoming everything one is capable of being.)

According to Maslow, people are motivated to satisfy the lower needs before they try to satisfy the higher need. Also, once a need is satisfied it is no longer a powerful motivator. Maslow's hierarchy, however, is a simplistic and not altogether accurate theory of human motivation. For example, not everyone progresses through the five needs in hierarchical order. But Maslow makes three important contributions. First, he identifies important need categories, which can help managers create effective positive rein forcers. Second, it is helpful to think of two general levels of needs, in which lower-level needs must be satisfied before higher-level needs become important. Third, Maslow sensitized managers to the importance of personal growth and self-actualization.

Self-actualization is the best-known concept arising from this theory. According to Maslow, the average person is only 10 percent self-actualized. In other words, most of us are living our lives and working at our lives and working at our jobs with a large untapped reservoir of potential. The implication is clear: Create a work environment that provides training, resources, gives people a chance to use their skills and abilities in creative ways and allows them to use their skills and abilities kin creative ways and allows them to achieve more of their full potential.

b. Existence Relatedness Growth (ERG) Theory

Alderfer focuses on three needs: existence, relatedness, and growth. Existence needs are similar to Maslow's physiological needs, and to the physical components of Maslow's security needs. Relatedness needs are those that require interpersonal interaction to satisfy the needs for things like prestige and esteem from others. Growth needs are similar to Maslow's needs for self-esteem and self-actualization.

c. McGregor's Theory-X and Theory-Y

McGregor's Theory-X represented the traditional management view that employees are lazy, was uninterested in work, and needed to be prodded to perform. In contrast his theory Y viewed employees as creative, complex, and mature individuals interested in meaningful work. McGregor believed that under the right circumstances, employees would willingly contribute their ingenuity and their talents for the benefits of the organization. He suggested that the mangers motivate em-0loyees by giving them the opportunity to develop their talents more fully and by giving them the freedom to choose the methods they would use to achieve organizational goals. In McGregor's view the mangers role was not to manipulate employees but to align their needs with needs of the organization so that employees would regulate their own actions and performance. These insights lead researches to investigate the origins and processes of motivation more closely.

d. Expectancy Theory

Expectancy theory states that a person's motivation to exert a certain level of effort is a function of three things: expectancy (E), instrumentality (I), and valance (V). Motivation = E x I x V. "E" is the person's expectancy that his or her effort will lead to performance, "I" represents the perceived relationship between successful performance and obtaining the reward, and "V" refers to the perceived value the person attaches to the reward.

e. Reinforcement Theory

In 1911, psychologist Edward Thorndike formulated the law effect: Behavior that is followed by positive consequences probably will be repeated. This powerful law of behavior laid the foundation for country investigations into the effects of the positive consequences, called rein forcers that motivate behavior. Organizational behavior modification attempts to people's actions.

Four key consequences of behavior either encourage or discourage people's behavior

1. **Positive Reinforcement**- applying a valued consequence that increases the likelihood that the person will repeat the behavior that led to it. Examples of positive reinforces include compliments, letters of commendation, favorable performance evaluations, and pay raises. Equally important, jobs can be positively reinforcing. Performing well on interesting, challenging, or enriched jobs (discussed later in this chapter) is much more reinforcing, and therefore motivating, then performing well on jobs that are routine and monotonous.

2. **Negative Reinforcement**- removing or withholding an undesirable consequence. For example, a manager takes an employee (or a school takes a student) off probation because of improved performance. Frequent threatening memos admonished people to achieve every one of their many performance goals

3. **Punishment**- administering an aversive consequence. Examples include criticizing or shouting at an employee, assigning an unappealing task, and sending a worker home without pay. Negative reinforcement can involve the threat of punishment, but not delivering it when employees perform satisfactorily. Punishment is the actual delivery of the aversive consequence.

4. **Extinction** –withdrawing or failing or failing to provide a reinforcing consequence. When this occurs motivation is reduced and the behavior is extinguished, or eliminated. Examples include not giving a compliment for a job well done, forgetting to say thanks for a favor, or setting impossible performance goals so that the person never experiences success. The first two consequences, positive and negative reinforcement, are positive for the person receiving them: The person either gains something or avoids something negative. Therefore, the person who experiences these consequences will be motivated to behave in the ways that led to the reinforcement. The last two consequences, punishment and extinction, are negative outcomes for the person receiving them: Motivation to repeat the behavior that led to the undesirable results will be reduced.

Thus, effective managers give positive reinforcement to their high-performing people and negative reinforcement to low performance. They also punish or extinguish poor performance and other unwanted behavior.

f. Herzberg's Two-Factor Approach

Herzberg Two-Factor theory divides Maslow's Hierarchy into a lower-level and a higher-level set of needs, and suggests that the best way to provide motivation for an employee is to offer to satisfy the person's higher-order needs, ego and self-actualization. Herzberg said that lower-order needs, or hygiene factors, are different from higher-order needs, or motivators. He maintains that adding more hygiene factors to the job is a very bad way to motivate because lower-order needs are quickly satisfied.

g. McClelland (Needs for Affiliation, Power, and Achievement) Theory

McClelland agrees with Herzberg that higher-level needs are most important at work. He believes the needs for affiliation, power, and achievement are most important. He and his associates use the Thematic Apperception Test to identify a person's needs for achievement, power, and affiliation. People with a high need for achievement strive for success, are highly motivated to accomplish a challenging task or goal, prefer tasks that have a reasonable chance for success, and avoid tasks that are either too easy or too difficult. People with a high need for power enjoy roles requiring persuasion. People with a strong need for affiliations are highly motivated to maintain strong, warm relationships.

h. Adam's Equity Theory

Adams's equity theory assumes that people have a need for fairness at work, and therefore, value and seek it. People are motivated to maintain a balance between what they perceive as their inputs or contributions and their rewards as compared to others. This theory seems to work when people feel they are underpaid, but inequity due to overpayment does not seem to have the positive effects on either quantity or quality that Adams's equity theory would predict.

IV. Methods for Motivating Employees for Employee Satisfaction

a. **Rewards:** People behave in ways that they believe are in their best interest, they constantly look for payoffs for their efforts. They expect good job performance to lead to organizational goal attainment, which in turn leads to satisfying their individual goals or needs. Organization, then, use rewards to motivate people.

b. **Challenging Jobs:** Job design refers to the number and nature of activities in a job. The key issue is whether jobs should be more specialized or more enriched and non-routine. Job design has been implemented in several ways. Job enlargement assigns workers to additional same-level tasks to increase the number of tasks they have to perform. Job rotation systematically moves workers from job to job. Job enrichment means building motivators like opportunities for achievement into the job by making it more interesting and challenging. Forming natural work groups, combining tasks, establishing client relationships, vertically loading the job, and having open feedback channels may implement Job enrichment.



c. **Using Merit Pay:** A merit raise is a salary increase, usually permanent, that is based on the employee's individual performance. It is a continuing increment rather than a single payment like a bonus. Relying heavily on merit rewards can be a problem because the reinforcement benefits of merit pay is usually only determined once per year.

d. **Using Spot Awards:** A spot award is one given to an employee as soon as the laudable performance is observed. These awards are consistent with principles of motivation because they are contingent on good performance and are awarded immediately.

e. **Using Skill-Based Pay:** With skill-based pay, employees are paid for the range, depth, and types of skills and knowledge they are capable of using rather than for the job they currently hold. Skill-based pay is consistent with motivation theory because people have a self-concept in which they seek to fulfill their potential. The system also appeals to the employee's sense of self-efficacy because the reward is a formal and concrete recognition that the person can do the more challenging job well.

f. **Using Recognition:** Some employees highly value day-to-day recognition from their supervisors, peers and team members because it is important for their work to be appreciated by others. Recognition helps satisfy the need people have to achieve and be recognized for their achievement.

g. **Using Job Redesign:** Job design refers to the number and nature of activities in a job. The key issue is whether jobs should be more specialized or more enriched and non-routine. Job design has been implemented in several ways. Job enlargement assigns workers to additional same-level tasks to increase the number of tasks they have to perform. Job rotation systematically moves workers from job to job. Job enrichment means building motivators like opportunities for achievement into the job by making it more interesting and challenging. Job enrichment may be implemented by forming natural work groups, combining tasks, establishing client relationships, vertically loading the job, and having open feedback channels.

h. **Using Empowerment:** Empowerment means giving employees the authority, tools, and information they need to do their jobs with greater autonomy, as well as the self-confidence to perform new jobs effectively. Empowerment boosts employees' feelings of self-efficacy and enables them to use their potential more fully.

i. **Using Goal-Setting Methods:** People are strongly motivated to achieve goals they consciously set. Setting goals with employees can be a very effective way of motivating them. Goals should be clear and specific, measurable and verifiable, challenging but realistic, and set with participation.

j. **Using Positive Reinforcement:** Positive reinforcement programs rely on operant conditioning principles to supply positive reinforcement and change behavior. Experts claim it is better to focus on improving desirable behaviors rather than on decreasing undesirable ones. There are a variety of consequences including social consequences (e.g., peer approval or praise from the boss), intrinsic consequences (e.g., the enjoyment the person gets from accomplishing challenging tasks), or tangible consequences (e.g., bonuses or merit raises).

k. **Using Lifelong Learning:** Lifelong learning can be used to deal with problems of downsizing and employee commitment, and to counterbalance their negative effects. It provides extensive continuing training and education, from basic remedial skills to advanced decision-making techniques, throughout the employees' careers, which provide employees the opportunity to boost their self-efficacy and self-actualization.

V. Challenges of motivating employees:

Motivation is not a simple subject; no two people respond to precisely the same set of motivators. Mangers face several pressing issues that complicate the challenges of motivating their employees.

a. **Workforce Diversity:** the composition of the workforce becoming less homogeneous. This diversity complicates the task of motivating employees because mangers must consider so many more motivational variables

b. **Organizational Restructuring:** The wave of mergers and acquisitions is followed by massive layoffs that represent another challenge. Employees who have been let go for reason unrelated to their performance may question whether initiative and creativity are now less important than political survival skills. Moreover, employees who have seen colleagues' loss their jobs may concentrate on keeping their own jobs and may stop taking risks –risk that might lead to new products, new markets, or other advances.

c. **Fewer Entry-level Employees:** The labor force is growing at half the rate of the previous decade; the number of qualified candidates for most entry-level positions is decreasing. In such a tight labor market, mangers face new challenges in attracting; retaining and motivating qualified entry-level employees. Managers must also determine how to motivate under qualified candidates to upgrade their skills and education so that they can handle the entry-level tasks.

d. **An oversupply of managers:** In the middle and top ranks of management, quite different phenomenon is causing organizational headaches. The number of senior management positions is far fewer than the number of deserving candidates, and the trend toward flatter organizations only makes matters worse for people who want to climb the hierarchal ladder.

As managers in organizations come to grips with these increasingly urgent challenges, they must understate the forces that derive employees' actions, how employees channel their actions towards goals, and how high performance behavior can be sustained.

Key Terms

Extinction	Withdrawing or failing or failing to provide a reinforcing consequence.
Punishment	Administering an aversive consequence.
Positive Reinforcement	Applying a valued consequence that increases the likelihood that the person will repeat the behavior that led to it.
Motivation	Motivation is the inner drive that directs a person's behavior toward goals.

LESSON 32

OCCUPATION, HEALTH & SAFETY

After studying this chapter, students should be able to understand the following:

A. Explain Elements of Workplace Safety and Health

LESSON OVERVIEW

We begin this chapter by describing the nature and role of safety and health and provide an overview of the Occupational Safety and Health Act. Organizations realize the importance of social responsibility and that safe organizations are more effective organizations. Moreover, the law requires that the workplace be safe and free of health hazards. Thus, many firms seek to provide a workplace environment that is safe and healthy. This chapter presents workplace safety and health in detail. First, it deals with the legal issues of workplace safety and health. Second, it presents a variety of contemporary safety and health issues. Finally, the chapter evaluates programs designed to maintain employee safety and health.

A. Elements of Workplace Safety and Health

Safety: Involves protecting employees from injuries due to work-related accidents.

Health: Refers to the employees' freedom from physical or emotional illness.

Safety programs may be designed to accomplish their purposes in two primary ways. The first approach is to create a psychological environment and attitudes that promote safety. A strong company policy emphasizing safety and health is crucial. The second approach to safety program design is to develop and maintain a safe physical working environment.

- **Physical Conditions:** Conditions resulting from the workplace environment that include occupational diseases and accidents, such as:
    - Repetitive motion injuries
    - Back pain
    - Cancer Etc.
- **Psychological Conditions:** Conditions resulting from the workplace environment that result from organizational stress and low quality of working life. These include**:**
    - Dissatisfaction, withdrawal
    - Mistrust in others, irritability

I. Safety Programs

Today, it has become clear that optimal health can generally be achieved through environmental safety, organizational changes, and different lifestyles.

a. **Developing Safety Programs**—Organizational safety programs require planning for prevention of workplace accidents. Plans may be relatively simple or more complex and highly sophisticated in order to fit the organization's size. Top management's support is essential if safety programs are to be effective. Tremendous economic losses can result from accidents.

1. **Job hazard analysis**: The main goal of safety and health professionals is to prevent job-related injuries and illnesses.

2. **The Superfund Amendments Reauthorization Act, Title III (SARA)**: SARA requires businesses to communicate more openly about the hazards associated with the materials they use and produce and the wastes they generate.

3. **Employee involvement**: One way to strengthen a safety program is to include employee input, which provides workers with a sense of accomplishment.

b. **Accident Investigation—**Accidents can happen even in the most safety-conscious firms. Each accident, whether or not it results in an injury, should be carefully evaluated to determine its cause and to ensure that it doesn't recur. The safety engineer and the line manager jointly investigate accidents—why, how, and where they occur and who is involved. Main causes that can create accidents at workplace are:

- Chance occurrences
- Unsafe working conditions
- Unsafe acts by employees
- Unsafe conditions
  - Physical conditions
    - Defective Equipment
    - Inadequate Machine Guards
    - Lack of Protective Equipment
  - Environmental conditions
    - Noise
    - Dust, Fumes
    - Stress
    - Unsafe behaviors

c. **Evaluation of Safety Programs**—Perhaps the best indicator that a safety program is succeeding is a reduction in the frequency and severity of injuries and illnesses.

d. **Rationale for Safety and Health Trends—**Firms are spending an increasing amount of money on safety. Reasons include; (1) profitability—employees can produce only while they are on the job, (2) employee relations—firms with good safety records can attract and retain good employees, (3) reduced liability—an effective safety program can reduce corporate and executive liability, (4) marketing—a good safety record may well provide companies with a competitive edge, and productivity—(5) an effective safety program may boost morale and productivity while simultaneously reducing rising costs.

II. Ways to manage Safe and Healthy environment in organization

To cope with physical hazards and other hazards such as stress, unsafe behavior, and poor health habits, employers often design comprehensive safety and health programs. Among these are safety programs, employee assistance programs, and wellness programs.

a. Safety Programs

A safe working environment does not just happen; it has to be created. The organizations with the best reputations for safety have developed well-planned and thorough safety programs.

b. Employee Assistance Programs (EAPs)

EAPs are programs designed to help employees whose job performance is suffering because of physical, mental, or emotional problems.

c. Wellness Programs

As health care costs have skyrocketed over the last two decades, organizations have become more interested in preventative programs. A complete wellness program has three components:

- It helps employees identify potential health risks through screening and testing.
- It educates employees about health risks such as high blood pressure, smoking, poor diet, and stress.
- It encourages employees to change their lifestyles through exercise, good nutrition, and health monitoring.

d. Smoking in The work place

Numerous studies have concluded that workplace smoking not only is hazardous to employees' health, but also is detrimental to the firm's financial health. Increased costs of insurance premiums, higher absenteeism, and lost productivity cost huge amount a year. These factors, along with rising opposition from nonsmokers and widespread local and state laws, have spurred many firms into action, and the trend continues.

- The rewards of good health habits

Effective safety programs share the following features:

- They include the formation of safety committee and participation by all departments within the company. Employees participate in safety decision and management carefully considers employee suggestions for improving safety.
- They communicate safety with a multimedia approach that includes safety lectures, films, poster, pamphlets, and computer presentations.
- They use incentives, rewards, and positive reinforcement to encourage safe behavior.
- They communicate safety rules and enforce them.
- They use safety directors and/or the safety committee to engage in regular self-inspection and accident research to identify potentially dangerous situations, and to understand why accidents occur and how to correct them.

III. Policies to prevent workplace violence

Every organization should have a two-pronged policy in place to (a) prevent workplace violence and (b) to deal with violent incidents when they occur. An HR manager's major responsibility is to be certain that selection policies include careful screening and reference checking. Furthermore, the HR manager should take the lead to enforce policies pertaining to the fair treatment of employees. This may require training managers to recognize performance problems, refer troubled employees for counseling, and apply disciplinary procedures consistently.

IV. Cumulative Trauma Disorders

CTDs are also called repetitive stress (or motion or strain) injuries (or illnesses or syndromes). CTDs do not refer to only one disorder but to a wide array of maladies ranging from carpal tunnel syndrome to tennis elbow. The number of workers with CTDs has risen dramatically in recent years.

V. Benefits of a Safe and Healthy Workforce

- More productivity
- Increased efficiency and quality
- Reduced medical and insurance costs
- Lower workers' compensation rates and payments
- Greater workforce flexibility

VI. The HRM Department and Employee Safety and Health

HRM department can help organizations and employers by performing tasks like:

- Develop safety and health programs.
- Select safety and health programs.
- Evaluate safety and health programs.
- Ensure legal compliance.
- Incorporate safety and health concerns in HRM practices.

Key Terms

Safety Involves protecting employees from injuries due to work-related accidents.

Health Refers to the employees' freedom from physical or emotional illness.

LECTURE 33

STRESS MANAGEMENT

After studying this chapter, students should be able to understand the following:

A. **Explain Stress**

LESSON OVERVIEW
We will discuss the concept of stress in this chapter we will see either stress is positive or negative in nature. Further we will see different sources that can create stress at workplace and programs that can be used to manage the stress.

A. Stress

Stress is the body's nonspecific reaction to any demand made on it. For various reasons, programs dealing with stress and its related problems are becoming increasingly popular. Long-term productivity depends largely on the dedication and commitment of the company's employees. Employees are increasingly holding their employers liable for emotional problems they claim are work related. And, stress-related mental disorders have become the fastest-growing occupational disease. There is increasing evidence indicating that severe, prolonged stress is related to the diseases that are leading causes of death—coronary heart disease, stroke, hypertension, cancer, emphysema, diabetes, and cirrhosis; stress may even lead to suicide. Some signs that may indicate problems include impaired judgment and effectiveness, rigid behavior, medical problems, increased irritability, excessive absences, emerging addictive behaviors, lowered self-esteem, and apathetic behavior.

Sources of Stress

Regardless of its origin, stress possesses the same devastating potential. Some factors are controllable to varying degrees, whereas others are not.

Stressor
The person or event that triggers the stress response, it can be organizational, personal or environmental factor that can become the source of stress.

Organizational Factors—Many factors associated with a person's employment can be potentially stressful. These include the firm's culture, the individual's job, and general working conditions.

Personal Factors—Stress factors outside the job and job environment also may affect job performance. Factors in this category include the family, financial problems, and living conditions.

The General Environment—Stress is a part of everyone's everyday life and its potential lurks not only in the workplace and the home but also in our general environment. The three-hour commute in rush traffic, the unrelenting rain, the oppressive heat, or chilling cold can all create stress. Excessive noise, wherever it is encountered, can drive some people up the wall.

Symptoms of Stress:

Stress can express following four types of the symptoms:

Short-term physical symptoms: Short-term physical symptoms include; faster heart beat, increased sweating, cool skin Cold hands and feet Feelings of nausea, or 'Butterflies in stomach' Rapid Breathing, Tense Muscles, dry Mouth, desire to urinate, diarrhea

Long-term physical symptoms: Change in appetite frequent colds illnesses (such as asthma Back pain digestive problems headaches aches and pains) feelings of intense and long-term tiredness, Risk factors (Heart attacks and strokes Hypertension and headaches Ulcers Allergies)

Internal symptoms: Internal symptoms include Worry or anxiety, Confusion, and an inability to concentrate or make decisions, Feeling ill, Feeling out of control or overwhelmed by events, Mood changes, Depression, Frustration, Helplessness, Restlessness, Being more lethargic, Difficulty sleeping, drinking more alcohol and smoking more, Changing eating habits, relying more on medication.

Behavioral symptoms: Behavioral Symptoms include, talking too fast or, too loud Bad moods being irritable Defensiveness Being critical Aggression, Irrationality, Overreaction and reacting emotionally Reduced personal effectiveness Being unreasonably negative Making less realistic judgments Being unable to concentrate and having difficulty making decisions being more forgetful Making more mistakes being more accident-prone Changing work habits Increased absenteeism Neglect of personal appearance

Outcomes of Organization due to stress: Continuous stress in working environment results in some problem in organizational operations like poorer decision-making, decreased creativity, lost work time, Increased turnover and more sabotage.

Stress & Job Performance

Stress can affect the performance in positive as well as negative ways. Stress is a dynamic condition in which an individual is confronted with an opportunity, constraints or demand related to what he or she desires, and for which the outcome is perceived to be both uncertain and important. Stress is a complex issue, so let's look at it more closely. Stress can manifest itself both in positive and negative way. Stress is said to be positive when the situation offers an opportunity for one to gain something; for example, the "psyching- up" that an athlete goes through can be stressful, but this can lead to maximum performance. It is when constraints or demands are placed on us that stress can become negative. Constraints are barriers that keep us from doing what we desire. Demands, on the other hand, may cause you to give up something. Demands are desires that are backed by the purchasing power or affordability.

Managing Stress

Experts emphasize that some stress is healthy and moderate stress is the key to survival.

a. **INDIVIDUAL COPING APPROACHES**—There are a number of ways, that individuals may take to control excessive stress. There are several specific techniques that individuals can utilize to deal with stress. These methods include hypnosis, biofeedback, and transcendental meditation.

- **Hypnosis**: An altered state of consciousness that is artificially induced and characterized by increased receptiveness to suggestions.
- **Biofeedback:** A method that can be used to control involuntary bodily processes, such as blood pressure or heart beat rate.
- **Transcendental meditation (TM):** A stress-reduction technique whereby a secret word or phrase (mantra) provided by a trained instructor is mentally repeated while an individual is comfortably seated.

b. **ORGANIZATIONAL COPING APPROACHES—**A number of programs and techniques may effectively prevent or relieve excessive stress. General organizational programs, although not specifically designed to cope with stress, may nevertheless play a major role.

Key Terms

Safety	Involves protecting employees from injuries due to work-related accidents.
Health	Refers to the employees' freedom from physical or emotional illness.
Stress	Stress is the body's nonspecific reaction to any demand made on it.
Burnout	The total depletion of physical and mental resources caused by excessive striving to reach an unrealistic work-related goal.
Hypnosis	An altered state of consciousness that is artificially induced and characterized by increased receptiveness to suggestions.
Constraints	Constraints are barriers that keep us from doing what we desire.
Demands	Desires that are backed by the purchasing power or affordability.
Biofeedback	A method of learning to control involuntary bodily processes, such as blood pressure or heart rate.
Transcendental Meditation	A stress-reduction technique in which an individual, comfortably seated, mentally repeats a secret word or phrase provided by a trained instructor.

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LESSON 34

COMMUNICATION IN ORGANIZATION

After studying this chapter, students should be able to understand the following:

A. **Explain Burnout**
B. **Describe Communication in Organization**

LESSON OVERVIEW
This chapter also presents a model of how communication works. Moreover, it explores specific policies that give employees access to important company information as well as those which provide feedback to top managers.

A. Burnout

Burnout is a pattern of emotional, physical, and mental exhaustion in response to chronic job stressors. It is an incapacitating condition in which individuals lose a sense of the basic purpose and fulfillment of their work
Burnout has been described as a state of fatigue or frustration that stems from devotion to a cause, way of life, or relationship that did not provide the expected reward. It is often found in a midlife or mid-career crisis, but it can happen at different times to different people. Individuals in the helping professions such as teachers and counselors seem to be susceptible to burnout, whereas others may be vulnerable because of their upbringing, expectations, or their personalities. Burnout is frequently associated with people whose jobs require close relationships with others under stressful and tension-filled conditions. The dangerous part of burnout is that it is contagious. A highly cynical and pessimistic burnout victim can quickly transform an entire group into burnouts. It is important to deal with it quickly; once it has begun, it is difficult to stop.

I. Symptoms of Burn-Out

Following symptoms indicate that a person is suffering through burnout

- A feeling of lack-of-control over commitments
- A belief (incorrect) that you are accomplishing less
- A growing tendency to think negatively
- Loss of a sense of purpose and energy
- Increased detachment from relationships

II. Avoiding Burn-Out

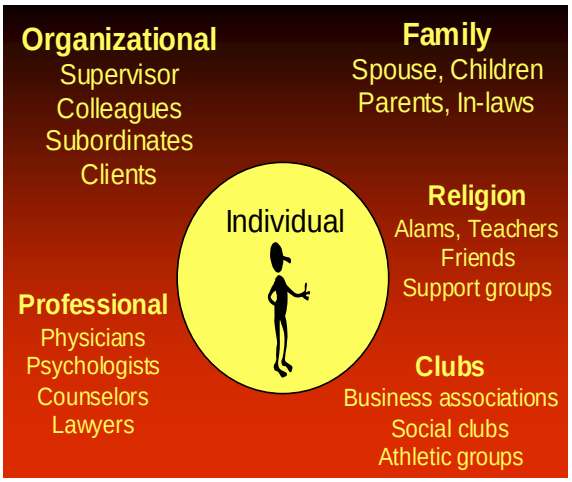
Burnout can be avoided by taking the following steps

- Re-evaluate goals
- Reduce unnecessary commitments
- Learn stress management skills
- Find out where the stress is coming from (family, job, etc.)
- Follow a healthy lifestyle
- Get adequate rest
- Eat a balanced diet
- Get regular exercise
- Limit caffeine and alcohol
- Develop other interests (hobbies)
- Acknowledge your humanity--you have a right to pleasure and relaxation

Social Support at Work & Home:
Social support at home by friends family members and at workplace by supervisor, colleagues subordinates etc can be used to avoid the burnout in the organizations.

B. Communication in organization

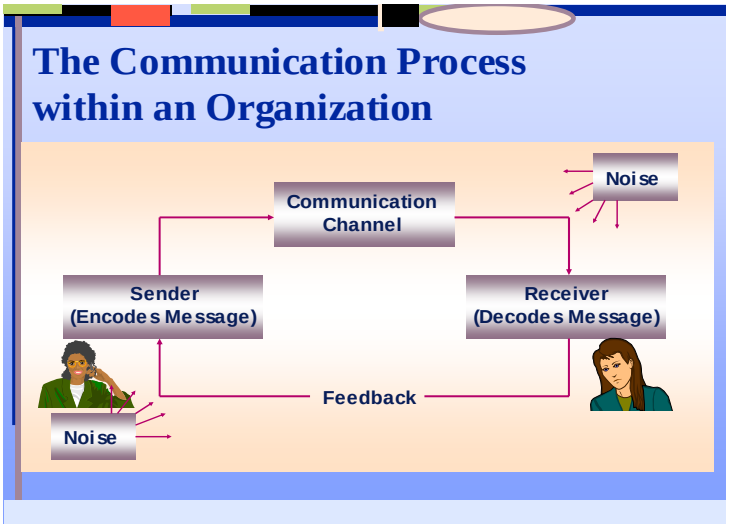
The transmission of information and understanding through the use of common symbols is termed as communication. Communication is the exchange of information between people; it occurs when one person understands the meaning of a message sent by another person, and responds to it. Two forms of information are sent and received in communications: facts and feelings. *Facts* are pieces of information that can be objectively measured or described. Examples are the cost of a computer, the daily defect rate in a manufacturing plant, and the size of the deductible payment of the company-sponsored health insurance policy. *Feelings* are employees' emotional responses to the decisions made or actions taken by managers or other employees. Organizations need to design communication channels that allow employees to communicate facts and feelings about specific aspects of their jobs.



I. The Communication Process

Communication, a continuous process, is the exchange of information and meaning between people. It occurs when one person understands and responds to the meaning of a message sent by someone else. The communication process includes five main components: the information source, the signal, the transmission, the destination or receiver, and the noise.

Communication starts with a sender who has a message to send to the receiver. The sender must encode the message and select a communication channel that will deliver it to the receiver. In communicating facts, the message may be encoded with words, numbers, or digital symbols; in communicating feelings, it may be encoded as body language or tone of voice.



Communications that provide for feedback are called two-way communications because they allow the sender and receiver to interact with each other. Communications that provide no opportunity for feedback are one-way. Noise means barriers to effective Communication. Potential barriers include: ambiguous, muddled messages; semantics; physical barriers; loss of transmission; failing to communicate; competition barriers; cultural, linguistic, and diversity barriers; and not listening.

II. Nonverbal Communication

Nonverbal communication is the non-spoken aspects of communication, such as a person's manner of speaking, facial expressions, or body posture, that express meaning to others. The nonverbal aspects of communication can especially complicate the task of communicating internationally. Nonverbal communication is communication that is sent without the use of the written or spoken word. This type of communication is quite powerful because people can communicate without speaking through the use of facial expression, body posture, tone of voice, use of space, and touching. Occulesics are facial expressions and eye contact that people use to communicate. Kinesics is the study of bodies through posture, gesture, head movements, and similar actions. Use of and reaction to facial expressions and body movement vary from culture to culture.

III. Barriers to Effective Communication and ways to remove these barriers

The complex factors in the communication pose barriers to effective communication.
Individual barriers include perceptual biases, which function as noise by affecting how the receiver gathers, organizes, and interprets information.
Organizational barriers to effective communication include organizational culture and structure, status differences, and time.
Active listening is a good way to minimize both individual and organizational barriers to effective communication. In active listening, the receiver assumes a conscious and dynamic role in the communication process through a variety of behaviors and actions. Both the sender and the message are targets for the active listener. Cultural differences can influence active listening.

Feedback is information about some behavior and its effect. Managers need to provide feedback to employees about their job performance; they also give feedback to suppliers and customers about various matters. Managers often have difficulty giving negative feedback—just as employees tend to stop actively listening to negative feedback. Therefore, effective feedback should be fact-based, timely, and focused on behaviors. Feedback is another part of communication that is affected by cultural differences. Supportive communication is honest, accurate interpersonal communication that focuses on building and enhancing relationships. There are number of attributes of supportive communication, which aims to create an environment in which people can openly exchange information about issues.
A number of interpersonal and intrapersonal barriers effect the decoding of a message.

Filtering refers to manipulating information so that it will be received more favorably.

- Filtering is most likely to occur where there is emphasis on status differences and among employees with strong career mobility aspirations.
- Expect more filtering taking place in large corporations than in small business firms.

With selective perception, receivers see and hear based on their needs, motivations, experience, background, and other personal characteristics.

Information overload happens when individuals have more information than they can sort out and use; they tend to select out, ignore, pass over, or forget information, etc.

Emotions: When people feel that they're being threatened, they tend to react in ways that reduce their ability to achieve mutual understanding.

Language: The meanings of words are not in the words; they are in us.

- Employees come from diverse backgrounds and have different patterns of speech.
- Grouping of employees into departments creates specialists who develop their own jargon or technical language.

While we speak a common language--English-our usage of that language is far from uniform.

- The problem is that members in an organization usually don't know how others with whom they interact have modified the language.

An estimated 5 to 20 percent of the population suffers from debilitating communication apprehension or anxiety.

- People who suffer from it experience undue tension and anxiety in oral communication, written communication, or both.

Studies demonstrate that oral-communication apprehensive avoid situations that require them to engage in oral communication.
Of greater concern is the evidence that high-oral-communication apprehensive distort the communication demands of their jobs in order to minimize the need for communication.

IV. Improving Communication in Organizations

Working with supervisors and managers, employee relations representatives can facilitate effective communications by developing and maintaining three types of programs: information dissemination, employee feedback, and employee assistance.

a. Information Dissemination Programs

Information dissemination involves making information available to decision makers, wherever they are located. The employee handbook is probably the most important source of information the HR department can provide and sets the tone for the company's overall employee relations philosophy. There are many other forms of written communication besides the employee handbook that can be used to alert employees to important information. These include memos and newsletters.

1. The employee handbook
2. Written communications: memos, financial statements, newsletters, and bulletin boards
3. Audiovisual communications

b. Electronic Communications

New technologies have made it possible to disseminate information that goes beyond the printed word. Visual images and audio information are powerful communication tools. A recent technological advance, teleconferencing, allows people with busy schedules to participate in meetings even when they are a great distance away from the conference location (or each other). Advances in electronic communications (voice mail and e-mail) have made interactive communications between sender and receiver possible even when they are separated by physical distance and busy schedules.

c. Meetings

Formal meetings are opportunities for face-to-face communication between two or more employees and are guided by a specific agenda. Formal meetings facilitate dialogue and promote the nurturing of personal relationships, particularly among employees who may not interact frequently because they are separated by organizational or geographic barriers.

- Retreats
- Informal communications

d. Employee Feedback Programs

To provide upward communications channels between employees and management, many organizations offer employee feedback programs. These programs are designed to improve management-employee relations by giving employees a voice in decision making and policy formulation and by making sure that they receive due process on any complaints they lodge against managers. The most common employee feedback programs are employee attitude surveys, appeals procedures, and employee assistance programs.

- Employee attitude surveys
- Appeals procedures

e. Employee Assistance Programs

EAPs help employees cope with personal problems that are interfering with their job performance. These problems may include alcohol or drug abuse, domestic violence, elder care, AIDS and other diseases, eating disorders, and compulsive gambling. Confidentiality is an important component of these programs.

V. The Formal and Informal Communication

a. Formal communication networks - Networks that are designated by the organizational structure, charts, or other official documents.

b. Informal Communications

Informal communication flows outside of the firm's chain of command.

- **How Excellent Companies Foster Informal Communications**

The following techniques have been found to encourage informal communication: 1) emphasizing informality; 2) maintaining an extraordinary level of communication intensity; and 3) giving communication the physical support.

Management by Wandering around: The communication skill here is not in the wandering around the office, but in the interpersonal communication skills you can bring to bear when you're speaking with the employees. These skills include paying attention, making yourself clear, listening actively, and listening sympathetically.

VI. Levels of Communication

a. Upward Communication

Upward communication from subordinates to superiors provides management with valuable insight into how the organization is functioning, and provides superiors with feedback about whether subordinates understand orders and instructions. It gives employees an opportunity to vent their feelings. Upward communication can be encouraged by social gatherings, union publications, regular meetings, performance appraisal meetings, grievances, attitude surveys, a suggestion system, and open door policy, indirect measures, and email. Formal, comprehensive programs and upward appraisals also encourage upward communication.

When communicating with a supervisor, avoid phrases that may inadvertently signal a lack of responsibility on your part. Avoid counterproductive body language and nonverbal mannerisms.

b. Downward Communication

Downward communication is transmitted from superior to subordinate on subjects like corporate vision and mission, what the job consists of, performance evaluations, job instruction, and organizational policies and practices. This format can help build commitment by keeping employees informed about what the organization plans to do. Some firms install open-book management programs that manage without concealment, and motivate all employees to focus on helping the business grow profitable and increasing the return on it human capital. Open-book management fosters trust and commitment among employees by treating them more like partners. When communicating with subordinates, remember that fairness and the appearance of fairness are keys. Make sure your body language comes across as open and receptive.

c. Horizontal Communication

Horizontal or lateral communications are messages between departments or people in the same department. Managers use individuals or committees to bridge departments and improve the flow of communication between them by using liaison personnel, committees and task forces, and independent integrators.

VII. Communications and HRM

HRM depends upon the effective communications systems in the organization for its success because all its functions like staffing , compensating , performance appraisal, training and development , etc require communication system for their executions basic purposes that are served through communication systems are keeping employees informed using it a s a tool to bring about positive change and to Influence culture. Bulletin board, newsletter and gossip are different sources that are used to disseminate information in the organizations.

Employees are provided with the Employee Handbook which serves many purposes like (1) it helps employees learn about company at their own pace. (2) Provides references regarding policies, rules, and benefits. (3) Ensures HRM policies will be consistently applied. (4) Creates sense of security and commitment for employees. (5) Provides information to recruits. (6) May be interpreted as implied contract. (7)Should be updated continually but the important thing is that these purposes can be achieved only if the employee handbook is Well Organized, Clearly Written and legally limited. Employee handbook mainly includes the information both about the employee and employer for employee it provides information regarding the job description and for employer it provides information about the rules regulations of the organization and different compensation benefits etc related information to the employees.

VIII. Communication Methods

Inside the organization Employee handbook, Bulletin board, Company newsletter, Company-wide meetings, Digital Media etc are used as source or method to communicate while for the offsite employees facsimile machine, E-mails, and Internet Phone are used as tools for communication of information.

Key Terms

Burnout:	An incapacitating condition in which individuals lose a sense of the basic purpose and fulfillment of their work
Communication	Exchange of information between people; it occurs when one person understands the meaning of a message sent by another person, and responds to it.
Noise:	All factors that interfere with and distort communication.
Encoding	Process by which sender puts a message in a certain format to send to the receiver.
Feedback	Information about some behavior and its effect.
Decoding	Process by which the receiver translates the sender's message into an understandable form.

LESSON 35

TRADE UNIONS

After studying this chapter, students should be able to understand the following:

A. Unions
B. Collective Bargaining
C. The HRM Department in a Nonunion Setting
D. Phases of Labor Relations

LESSON OVERVIEW
This chapter talks about why workers organize, outlines the basics of labor law, and reviews the procedures of labor elections, collective bargaining, and contract administration. We will also go through the grievance procedures.

A. Unions

Organization of workers, acting collectively, seeking to protect and promote their mutual interests through collective bargaining is termed as union. The most significant impact of a union on the management of human resources is its influence in shaping HRM policies. In the absence of a union, the company may develop all HRM policies based on efficiency. But, when a union enters the picture, management must develop HRM policies that reflect consideration for the preferences of workers who are represented by a union. A union's strong preferences for high wages, job security, the ability to express dissatisfaction with administrative actions, and having a voice in the development of work rules that affect their jobs get injected into the equation along with the employer's preferences.

I. Union Objectives

Several broad objectives characterize the labor movement as a whole. These include:
(1) To secure and, if possible, improve the living standards and economic status of its members.
(2) To enhance and, if possible, guarantee individual security against threats and contingencies that might result from market fluctuations, technological change, or management decisions. (3) To influence power relations in the social system in ways that favor and do not threaten union gains and goals. (4) To advance the welfare of all who work for a living, whether union members or not. (5) To create mechanisms to guard against the use of arbitrary and capricious policies and practices in the workplace. In order to accomplish these objectives, most unions recognize that they must strive for continued growth and power.

- **Growth**—To maximize effectiveness, a union must strive for continual growth, but the percentage of union members in the workforce is declining. Union leaders are concerned because much of a union's ability to accomplish objectives comes from strength in numbers. Unions must continue to explore new sources of potential members.

- **Power**—We define *power* here as the amount of external control that an organization is able to exert. A union's power is influenced to a large extent by the size of its membership and the possibility of future growth. By achieving power, a union is capable of exerting its force in the political arena.

II. Factors Leading to Employee Unionization

Three types of factors play role in origin of employee unions they are:

a. **Working Environment:** Inadequate staffing, Mandatory overtime, Poor working conditions
b. **Compensation:** Non-competitive Pay, Inadequate benefits inequitable pay raises
c. **Management Style:** Arbitrary Management Decision Making, Use of fear, Lack of recognition
d. **Organization Treatment:** Job insecurity, unfair discipline and policies, Harassment and abusive treatments, Not responsive to complaints

III. Why Employees Join Unions

Individuals join unions for many different reasons, and these reasons tend to change over time. They may involve dissatisfaction with management, need for a social outlet, and opportunity for leadership, forced unionization, and peer pressure.
A union is an organization that represents employees' interests to management on issues such as wages, hours, and working conditions. Generally, employees seek to join a union when they
(1) Are dissatisfied with aspects of their job,
(2) Feel a lack of power or influence with management in terms of making changes, and
(3) See unionization as a solution to their problems.

a. **Dissatisfaction with Management—**Unions look for problems in organizations and then emphasize the advantages of union membership as a means of solving them. Management must exercise restraint and use its power to foster management and labor cooperation for the benefit of all concerned. Some reasons for employee dissatisfaction are described:
    1. **Compensation**: If employees are dissatisfied with their wages, they may look to a union for assistance in improving their standard of living.
    2. **Job Security**: If the firm doesn't provide its employees with a sense of job security, workers may turn to a union. Employees are more concerned than ever about job security due to a decline in employment in such key industries as automobiles, rubber, and steel.
    3. **Management Attitude**: Employees do not like to be subjected to arbitrary and capricious actions by management. In some firms, management is insensitive to the needs of its employees. When this situation occurs, employees may perceive that they have little or no influence in job-related matters, thus becoming prime targets for unionization.

b. **A Social Outlet—**Many people have strong social needs. Union-sponsored recreational and social activities, day care centers, and other services can increase the sense of solidarity.

c. **Opportunity For Leadership—**Employers often promote union leaders into managerial ranks as supervisors.

d. **Forced Unionization—**It is generally illegal for management to require that an individual join a union prior to employment. However, in the 29 states without right-to-work laws, it is legal for an employer to agree with the union that a new employee must join the union after a certain period of time (generally 30 days) or be terminated.

e. **Peer Pressure**—Many individuals will join a union simply because they are urged to do so by other members of the work group.

IV. The Impact of Unions on Human Resource Management

Managers are more likely to develop HRM policies based on efficiency. But, when a union is in the picture, policies must reflect employees' preferences as well. Employees have preferences related to staffing, employee development, compensation, and employee relations.

a. **Staffing:** The contract can dictate how jobs are filled and on what basis they are filled.

b. **Employee Development**: Performance evaluations are rarely used in unionized organizations. However, there is often a greater amount of worker training.

c. **Compensation:** On average, union employees earn 10% to 20% higher wages than comparable non-union employees. Unionized firms avoid using merit pay plans and are likely to give across-the-board pay raises to employees based on market considerations.

d. **Employee Relations:** The labor contract gives employees specific rights. The employees, through the collective bargaining process, have a voice in the development of work rules that affect their jobs.

B. Collective Bargaining

Under a collective bargaining system, union and management negotiate with each other to develop the work rules.

The performance of the mutual obligation of the employer and the representative of the employees to meet at reasonable times and confer in good faith with respect to wages, hours, and other terms and conditions of employment, or the negotiation of an agreement, or any question arising there under, and the execution of a written contract incorporating any agreement reached if requested by either party; such obligation does not compel either party to agree to a proposal or require the making of a concession.

I. Labor Management Relations and Collective Bargaining

- **Forms of Bargaining Structures AND Union/ Management Relationships**—The bargaining structure can affect the conduct of collective bargaining. The four major structures are one company dealing with a single union, several companies dealing with a single union, several unions dealing with a single company, and several companies dealing with several unions. Types of union/management relations that may exist in an organization are conflict, armed truce, power bargaining, accommodation, cooperation, and collusion.

- **The Collective Bargaining Process**—Both external and internal environmental factors can influence the process. The first step in the collective bargaining process is preparing for negotiations. This step is often extensive and ongoing for both union and management. After the issues to be negotiated have been determined, the two sides confer to reach a mutually acceptable contract. Although breakdowns in negotiations can occur, both labor and management have at their disposal tools and arguments that can be used to convince the other side to accept their views. Eventually, however, management and the union usually reach an agreement that defines the rules of the game for the duration of the contract. The next step is for the union membership to ratify the agreement. There is a feedback loop from "Administration of the Agreement" to "Preparing for Negotiation." Collective bargaining is a continuous and dynamic process, and preparing for the next round of negotiations often begins the moment a contract is ratified.

- **The Psychological Aspects Of Collective Bargaining**

  Prior to collective bargaining, both the management team and the union team have to prepare positions and accomplish certain tasks. Vitally important for those involved are the psychological aspects of collective bargaining. Psychologically, the collective bargaining process is often difficult because it is an adversarial situation and must be approached as such. It is a situation that is fundamental to law, politics, business, and government, because out of the clash of ideas, points of view, and interests come agreement, consensus, and justice.

a. Preparing For Negotiations

Bargaining issues can be divided into three categories: mandatory, permissive, and prohibited.

- **Mandatory Bargaining Issues**—Fall within the definition of wages, hours, and other terms and conditions of employment.

- **Permissive Bargaining Issues**—May be raised, but neither side may insist that they be bargained over.

- **Prohibited Bargaining Issues**—Are statutorily outlawed.

b. Bargaining Issues

The document that results from the collective bargaining process is known as a *labor agreement* or *contract*. Certain topics are included in virtually all labor agreements.

- **Recognition**—Its purpose is to identify the union that is recognized as the bargaining representative and to describe the bargaining unit.
- **Management Rights**—A section that is often, but not always, written into the labor agreement and that spells out the rights of management. If no such section is included, management may reason that it retains control of all topics not described as bargain-able in the contract.
- **Union Security**— The objective of union security provisions is to ensure that the union continues to exist and to perform its function.

1. **Closed Shop**: An arrangement whereby union membership is a prerequisite to employment.
2. **Union Shop**: An arrangement that requires that all employees become members of the union after a specified period of employment (the legal minimum is 30 days) or after a union shop provision has been negotiated.
3. **Maintenance of Membership**: Employees who are members of the union at the time the labor agreement is signed or who later voluntarily joins must continue their memberships until the termination of the agreement, as a condition of employment. This form of recognition is also prohibited in most states that have right-to-work laws.
4. **Agency Shop**: Does not require employees to join the union; however, the labor agreement requires, as a condition of employment, that each nonunion member of the bargaining unit "pay the union the equivalent of membership dues as a kind of tax, or service charge, in return for the union acting as the bargaining agent." The agency shop is outlawed in most states that have right-to-work laws.
5. **Exclusive Bargaining Shop**: The Company is bound legally to deal with the union that has achieved recognition, but employees are not obligated to join or maintain membership in the union or to financially contribute to it.
6. **Open Shop**: Employment that has equal terms for union members and nonmembers alike.
7. **Dues Check-off**: The Company agrees to withhold union dues from members' checks and to forward the money directly to the union.

- **Compensation and Benefits**—This section typically constitutes a large portion of most labor agreements. Virtually any item that can affect compensation and benefits may be included.

1. **Wage Rate Schedule**: The base rates to be paid each year of the contract for each job are included in this section. At times, unions are able to obtain a cost-of-living allowance (COLA) or escalator clause in the contract in order to protect the purchasing power of employees' earnings.
2. **Overtime and Premium Pay**: Provisions covering hours of work, overtime pay, and premium pay, such as shift differentials, are included in this section.
3. **Jury Pay**: Some firms pay an employee's entire salary when he or she is serving jury duty. Others pay the difference between jury pay and the compensation that would have been earned. The procedure covering jury pay is typically stated in the contract.
4. **Layoff or Severance Pay**: The amount that employees in various jobs and/or seniority levels will be paid if they are laid off or terminated is presented in this section.
5. **Holidays**: The holidays to be recognized and the amount of pay that a worker will receive if he or she has to work on a holiday are specified. In addition, the pay procedure for times when a holiday falls on a worker's nominal day off is provided.
6. **Vacation**: This section spells out the amount of vacation that a person may take, based on seniority. Any restrictions as to when the vacation may be taken are also stated.
7. **Family Care**: This is a benefit that has been included in recent collective bargaining agreements, with child care expected to be a hot bargaining issue in the near future.

- **Grievance Procedure**—It contains the means by which employees can voice dissatisfaction with specific management actions. Also included in this section are the procedures for disciplinary action by management and the termination procedure that must be followed.

- **Employee Security**—This section of the labor agreement establishes the procedures that cover job security for individual employees. Seniority and grievance handling procedures are the key topics related to employee security.

a. Negotiating The Agreement

The negotiating phase of collective bargaining begins with each side presenting its initial demands. The term *negotiating* suggests a certain amount of give and take, the purpose of which is to lower the other side's expectations. Each side does not expect to obtain all the demands presented in its first proposal. Demands that the union does not expect to receive when they are first made are known as *beachhead demands*.

b. Breakdowns In Negotiations

At times negotiations break down, even though both labor and management may sincerely want to arrive at an equitable contract settlement. Several means of removing roadblocks may be used in order to get negotiations moving again.

- **Third-Party Intervention**—Often a person from outside both the union and the organization can intervene to provide assistance when an agreement cannot be reached and a breakdown occurs. At this point there is an impasse.

  1. **Mediation**: A process whereby a neutral third party enters a labor dispute when a bargaining impasse has occurred.

  2. **Arbitration**: A process in which a dispute is submitted to an impartial third party to make a binding decision.

  3. **Sources of Mediators and Arbitrators**: The principle organization involved in mediation efforts, other than the available state and local agencies, is the Federal Mediation and Conciliation Service (FMCS). Either or both parties involved in negotiations can seek the assistance of the FMCS, or the agency can offer help if it feels that the situation warrants this.

- **Union Strategies for Overcoming Negotiations Breakdowns**—There are times when a union believes that it must exert extreme pressure on management to agree to its bargaining demands. Strikes and boycotts are the primary means that the union may use to overcome breakdowns in negotiations.

  1. **Strikes**: When union members refuse to work in order to exert pressure on management in negotiations.

  2. **Boycotts**: An agreement by union members to refuse to use or buy the firm's products. The practice of a union attempting to encourage third parties (suppliers and customers) to stop doing business with the firm is a *secondary boycott*.

- **Management's Strategies For Overcoming Negotiation Breakdowns**—One form of action that is somewhat analogous to a strike is called a *lockout*. Management keeps employees out of the workplace and may run the operation with management personnel and/or temporary replacements. The employees are unable to work and do not get paid.

a. Ratifying The Agreement

In the vast majority of collective bargaining encounters, the parties reach agreement without experiencing severe breakdowns in negotiations or resorting to disruptive actions. Typically, this is accomplished before the current agreement expires. After the negotiators have reached a tentative agreement on all topics negotiated, they will prepare a written agreement complete with the effective and termination dates. However, the approval process can be more difficult for the union. Until it has received approval by a majority of members voting in a ratification election, the proposed agreement is not final. Union members may reject the proposed agreement, and new negotiations must begin.

b. Administration Of The Agreement

The larger and perhaps more important part of collective bargaining is the administration of the agreement, which is seldom viewed by the public. The agreement establishes the union-management relationship for the duration of the contract.

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II. Grievance Handling Under a Collective Bargaining Agreement

If employees in an organization are represented by a union, workers who believe that they have been disciplined or dealt with unjustly can appeal through the grievance and arbitration procedures of the collective bargaining agreement.

a. **Grievance Procedure**—A *grievance* can be broadly defined as an employee's dissatisfaction or feeling of personal injustice relating to his or her employment relationship.

b. **Arbitration**—The process that allows the parties to submit their dispute to an impartial third party for resolution.

c. **Proof that Disciplinary Action was Needed**—Any disciplinary action administered may ultimately be taken to arbitration, when such a remedy is specified in the labor agreement.

d. **Weaknesses Of Arbitration**—The reason for the initial filing of the grievance may actually be forgotten before it is finally settled. Another problem is the cost of arbitration, which has been rising at an alarming rate.

III Grievance Handling In Union-Free Organizations

Although the step-by-step procedure for handling union grievances is common practice, the means of resolving complaints in union-free firms varies. A well-designed union-free grievance procedure ensures that the worker has ample opportunity to make complaints without fear of reprisal.

C. The HRM Department in a Non-union Setting

Employers who adhere to certain union-free strategies and tactics can remain or become union free.

- **Effective first-line supervision**: Extremely important to an organization's ability to remain union free is the overall effectiveness of its management, particularly its first-line supervisors. These supervisors represent the first line of defense against unionization.

- **Union-free policy**: The fact that the organization's goal is to remain union free should be clearly and forcefully communicated to all its members.

- **Effective communication**: One of the most important actions an organization that wants to remain union free can take is to establish credible and effective communication. One approach taken to encourage open communication is the open-door policy. The *open-door policy* gives employees the right to take any grievance to the person next in the chain of command if the immediate supervisor cannot resolve the problem.

- **Trust and openness**: Openness and trust on the part of managers and employees alike are important in order to remain union free. The old expression "*actions speak louder than words"* is certainly valid for an organization that desires to remain union free.

- **Effective compensation programs**: The financial compensation that employees receive is the most tangible measure they have of their worth to the organization. If an individual's pay is substantially below that provided for similar work in the area, the employee will soon become dissatisfied.

- **Healthy and safe work environment**: An organization that gains a reputation for failing to maintain a safe and healthy work environment leaves itself wide open for unionization.

- **Effective employee and labor relations**: No organization is free from employee disagreements and dissatisfaction. Therefore, a means of resolving employee complaints, whether actual or perceived, should be available. The *grievance procedure* is a formal process that permits employees to complain about matters affecting them. Most labor-management agreements contain formal grievance procedures, and union members regard handling grievances as one of the most important functions of a labor union.

D. Phases of Labor Relations

Labor relations consist of the human resource management activities associated with the movement of employees within the firm after they have become organizational members and include the actions of promotion, transfer, demotion, resignation, discharge, layoff, and retirement. Labor relations can be divided into following three phases:

a. **Union organizing:** Organization of workers, acting collectively, seeking to protect and promote their mutual interests through collective bargaining is termed as union. The most significant impact of a union on the management of human resources is its influence in shaping HRM policies. In the absence of a union, the company may develop all HRM policies based on efficiency. But, when a union enters the picture, management must develop HRM policies that reflect consideration for the preferences of workers who are represented by a union. A union's strong preferences for high wages, job security, the ability to express dissatisfaction with administrative actions, and having a voice in the development of work rules that affect their jobs get injected into the equation along with the employer's preferences.

b. **Collective bargaining:** The performance of the mutual obligation of the employer and the representative of the employees to meet at reasonable times and confer in good faith with respect to wages, hours, and other terms and conditions of employment, or the negotiation of an agreement, or any question arising there under, and the execution of a written contract incorporating any agreement reached if requested by either party; such obligation does not compel either party to agree to a proposal or require the making of a concession.

c. **Contract administration:** The larger and perhaps more important part of collective bargaining is the administration of the agreement, which is seldom viewed by the public. The agreement establishes the union-management relationship for the duration of the contract. The agreement established the union-management relationship for its effective length. Usually no changes in contract language can be made until the expiration date except by mutual consent. Administering the contract is a day-to-day activity. Ideally, the aim of both management and the union is to make the agreement work to the mutual benefit of all concerned. This is not easy. In the daily stress of the work environment, terms of the contract are not always uniformly interpreted and applied.

KEY TERMS

Grievance procedure	A formal, systematic process that permits employees to complain about matters affecting them and their work.
Collective bargaining	The process through which representatives of management and the union meet to negotiate a labor agreement.
Mediation	A process whereby a neutral third party enters a labor dispute when a bargaining impasse has occurred.
Boycotts	An agreement by union members to refuse to use or buy the firm's products.
Arbitration	The process that allows the parties to submit their dispute to an impartial third party for resolution.

LESSON 36

CONFLICT AND NEGOTIATION

After studying this chapter, students should be able to understand the following:

A. **Conflict**
B. **Conflict and Negotiation**

LESSON OVERVIEW
This lecture takes an in-depth look at conflict management and negotiation, key aspects of contemporary organizational behavior. After examining the two views of conflict, the consequences of conflict, and the types and levels of conflict, the chapter discusses culture and conflict, conflict management styles, organizational sources of conflict, and conflict management strategies. The chapter goes on to explore negotiation.

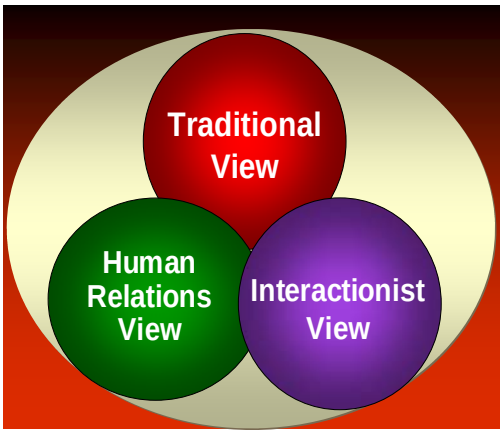
A. Conflict

Conflict is the process in which one party perceives that its interests are being opposed or negatively affected by another party. Conflict is a process in which people disagree over significant issues, thereby creating friction between parties. Conflict can exist when people have opposing interests, perceptions, and feelings; when those involved recognize the existence of differing points of view; when the disagreement is ongoing; and when opponents try to prevent each other from accomplishing their goals. Although conflict can be destructive, it can also be beneficial when used as a source of renewal and creativity. Competition and rivalry between individuals or groups over an outcome that both seek, is not the same as conflict. In competition, there must be a winner and a loser; with conflict, people can cooperate so that no one wins or loses.

Organizational conflict occurs when a stakeholder group pursues its interests at the expense of other stakeholders. Given the different goals of stakeholders, organizational conflict is inevitable. Conflict is associated with negative images, such as unions getting angry and violent, but some conflict can improve effectiveness. When conflict passes a certain point, it hurts an organization.

I. Transitions in Conflict Thought

Under **traditional view** conflict is a process in which people disagree over significant issues, creating friction between parties. One view of conflict is that it is dysfunctional and harmful to organizations, because the struggle over incompatible goals is a waste of time that prevents people and organizations from being productive and reaching their potential. On the other hand, **interactionist view** states that when conflict is based on issues rather than personalities, it can enhance problem solving and creativity. Open discussions of differing viewpoints allows for a thorough consideration of alternatives and their consequences in the course of decision making. Conflict can also increase motivation and energize people to focus on a task. **Human relation** view states that Conflict is a natural occurrence and we should accept conflict.



II. Conflict Good or Bad

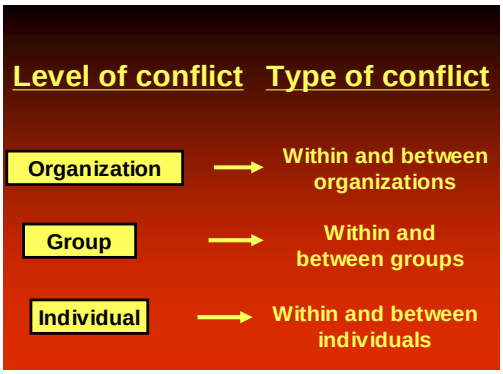
Conflict can have both positive and negative consequences. On the positive side, conflict can bring energy to a competition and focus participants on the task at hand. It can also increase group cohesion and stimulate open discussion of issues. On the negative side, conflict can cause participants to lose sight of common goals and focus on winning at all costs. In addition, it can lead to distorted judgments and a lack of cooperation. Finally, the losers in a conflict feel demoralized and lose motivation; this loser effect harms long-term relationships and overall organizational performance.

III. How can conflict improve effectiveness?

Conflict can overcome inertia and introduce change, because conflict requires an organization to reassess its views. Different views are considered, and the quality of decision-making is improved.

IV. Types and levels of Conflict

There are four types of conflict. Inter-group conflict occurs when groups within and outside the organization disagree on various issues. Interpersonal conflict is due to differences in goals, values, and styles between two or more people who are required to interact. Intra group conflict occurs within a work group over goals and work procedures. Intrapersonal conflict is a person's internal conflict over divergent goals, values, or roles. Inter group conflict can occur at two levels which are horizontal and vertical. Horizontal conflict takes place between departments or groups at the same level of the organization. In contrast, vertical conflict occurs between groups at different levels of the organization.

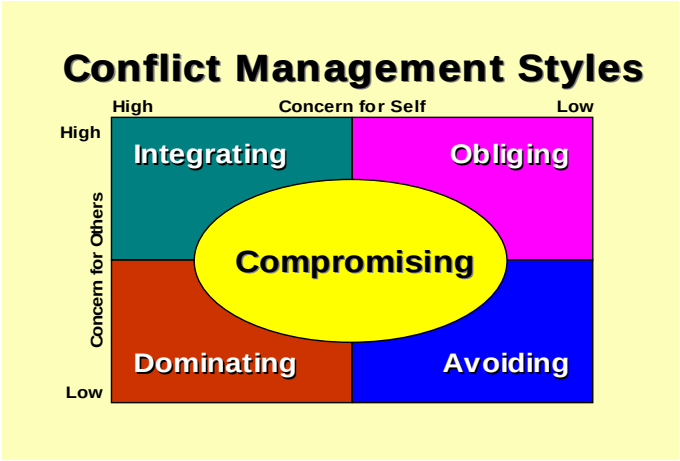


Types of Conflict

- Task conflict: Conflicts over content and goals of the work
- Relationship conflict: Conflict based on interpersonal relationships
- Process conflict: Conflict over how work get done

V. Individual Conflict Management Styles

a. **The obliging style of conflict management** is based on low concern for self, high concern for others, and focusing on the needs of others while satisfying or ignoring personal needs. This works best when issues are unimportant, knowledge is limited, there is long-term give and take, and the person managing the conflict has no power.



b. **The avoiding style** is based on low concern for self and others and a focus on suppressing, setting aside, and ignoring the issues. This is appropriate when the conflict is too strong and parties need to cool off.

c. **The integrative style** shows high concern for self and for others and focuses on collaboration, openness, and exchange of information. This is used when issues are complex, when commitment is needed, when dealing with strategic issues, and when long-term solutions are required.

d. **The dominating style** shows high concern for self, low concern for others, and focuses on advancing own goals at any cost. This is used when time is short, issues are trivial, all solutions are unpopular, and an issue is important to the party resolving the conflict.

e. **The compromising style** shows moderate concern for self and others and focuses on achieving a reasonable middle ground where all parties win. This is used when goals are clearly incompatible, parties have equal power, and a quick solution is needed.

VI. Manager's ways to manage conflict.

Managers can manage conflict by either preventing or reducing high levels of conflict or stimulating low levels of conflict. To do this, managers can apply a behavioral approach or an attitudinal approach. The behavioral approach targets the behavior causing the conflict, while the attitudinal approach targets the roots of the conflict, including people's emotions, beliefs, and behaviors. Behavioral methods include enforcing rules, separating the parties, clarifying tasks, having a common enemy or outside competition, and increasing resources and rewarding cooperation. Attitudinal methods include having a common enemy, rotating members, increasing resources, and team-building and organizational development (OD). To stimulate conflict, managers can introduce change, increase task ambiguity, or create interdependency.

B. Conflict and Negotiation

Stakeholders compete for the resources that an organization produces. Shareholders want dividends, employees want raises. An organization must manage both cooperation and competition among stakeholders to grow and survive. All stakeholders have a common goal of organizational survival, but not all goals are identical.

o Negotiation

It is the process used by two or more parties to reach a mutually agreeable arrangement to exchange goods and services. Managers need negotiating skills to be effective in today's global, diverse, dynamic, team-oriented business environment. Culture significantly affects the negotiation process. Negotiators from masculine cultures emphasize assertiveness and independence, which can cause them to see negotiation as a competition and spur them to win at all costs. Negotiators from cultures comfortable with uncertainty will take a creative, problem-solving approach, while those from high uncertainty-avoidance cultures will emphasize bureaucratic rules and procedures. Power-distance, individuality-collectivism, high or low context, emotion, and time-orientation dimensions also affect negotiation.

Beyond a certain point, conflict hurts the organization and causes decline. Managers spend time bargaining, rather than making decisions. An organization in decline cannot afford to spend time on decision-making, because it needs a quick response to recover its position. Group's battle for their interests, no agreement is reached, and the organization floats along, falling prey to inertia.
Bargaining issues in negotiation process can be divided into three categories: mandatory, permissive, and prohibited.

- **Mandatory Bargaining Issues**—Fall within the definition of wages, hours, and other terms and conditions of employment.
- **Permissive Bargaining Issues**—May be raised, but neither side may insist that they be bargained over.
- **Prohibited Bargaining Issues**—Are statutorily outlawed.

o Negotiation Strategies

Figure shows four negotiating strategies based on the importance of the substantive outcome and the importance of the relationship outcome. These four strategies are trusting collaboration, firm competition, open subordination, and active avoidance. Trusting collaboration is a win-win strategy most appropriate when both the substantive task outcome and the relationship outcome are important. Firm competition is used when the substantive task outcome is important but the relationship outcome is not. Open subordination is applied when the task outcome is not important but the relationship outcome is. Active avoidance is useful when neither the task outcome nor the relationship outcome is important.



When two parties are unable to come to agreement during negotiations, they may bring in a third party to help resolve the differences. Conciliation and consultation focus on improving interpersonal relations to foster constructive discussion of issues. Mediation considers both interpersonal and substantive issues and relies on formal evaluation of positions plus persuasion to bring about a non-binding solution. Arbitration, a legally binding process in which the arbitrator imposes a solution, can be used when all other methods have failed and the conflict must be urgently resolved.

- **Common mistakes made when negotiating, include**:

Irrational escalation of commitment; thinking the pie is fixed; winner's curse; and overconfidence. Avoiding these common mistakes requires managers to be aware of the issues, be thoroughly prepared, and be willing to rely on expert opinion to reduce the possibility of making mistakes.

KEY TERMS

Conflict	Conflict is the process in which one party perceives that its interests are being opposed or negatively affected by another party.
Task conflict	Conflicts over content and goals of the work
Relationship conflict	Conflict based on interpersonal relationships
Process conflict	Conflict over how work get done
Vertical conflict	It occurs between groups at different levels of the organization.
Horizontal conflict	It takes place between departments or groups at the same level of the organization.
Negotiation	It is the process used by two or more parties to reach a mutually agreeable arrangement to exchange goods and services.

LESSON 37

POWER AND POLITICS

After studying this chapter, students should be able to understand the following:

A. **Power**
B. **Politics In Organizations**
C. **Power and Politics in Context**

LESSON OVERVIEW

This chapter explores how managers use power and organizational politics. Organizations today use power and politics differently than in the past, given the uncertain environment and the shift to flatter hierarchies, team structures, and employee empowerment. This chapter opens with a look at power, including the individual and organizational sources, the effect of culture and gender, corruption of power, and potential benefits of empowerment. Next, the chapter examines politics.

A. Power

Power, the ability of one person to influence another, is not limited to managers. Employees at all levels and outsiders such as customers have the ability to influence the actions and attitudes of other people. Someone need not have power to influence another person—and those with influence may not have power. Also, power is not the same as authority. Authority is the power vested in a particular position, such as the power of the security director.

I. Power, influence, and authority

Power is the ability of one person to influence another. It is not the same as authority, which refers to the power vested in a particular position. It is not synonymous with influence, either, since someone who has power may not be able to influence others while someone without power may have the ability to influence others. Power, authority, and influence are all integral parts of any organization, although the way

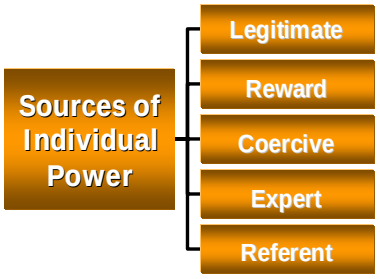
II. Sources of Power

Three types of power derive from the person's formal position in the organization:

- **Legitimate power**: It is based on a person holding a formal position;
- **Reward Power**: reward power, based on a person's access to rewards.
- **Coercive Power**: coercive power, based on a person's ability to punish.

Two types of power derive from the individual:

- **Expert power**,: Expert power is based on personal expertise and knowledge
- **Referent Power:** referent power, based on a person's attractiveness to others.



Organizational sources of power, which derive from the structure, depend on strategic contingencies—elements that are essential to the performance and effectiveness of the organization, department, or team. The three strategic contingencies that are sources of organizational power are: coping with uncertainty; centrality in the resource network; and dependency and substitutability.

III. Advantages and Disadvantages of Power

Power is necessary in an organization because it helps managers fulfill their leadership responsibilities; it also helps all employees influence others in pursuit of organizational and personal goals. Two key benefits are the ability to inspire commitment (as a reaction to expert or referent power) and the ability to reduce uncertainty for others in the organization. Empowerment leads to other benefits, such as support for creativity and reduction of bureaucratic obstacles. The main disadvantage is the potential for misuse and abuse, which can harm individuals and the organization.

IV. Power Corruption

Power corruption occurs when someone has a great deal of power but is not held accountable for its use. The result is abuse of power for personal gain. The power corruption cycle starts when managers are physically removed from their employees, they may develop an inflated view of themselves. The disparity in power can cause employees to feel helpless, so they respond by becoming more submissive and dependent and by flattering the manager. The consequences of the power corruption cycle are poor decision making, use of coercion, low opinion of employees, more distance from employees, and possibly ethical or illegal actions taken by the manager.

Organizations can prevent corruption of power by pushing for more contact between managers and employees; reducing employees' dependence on managers; and creating an open, performance-centered organizational culture and structure.
One of the most visible ways managers and organizations can encourage the ethical use of power is by modeling and rewarding ethical behavior. In addition, they can establish appropriate policies and procedures to identify and stop unethical use of power and create an organizational culture that values high ethical standards for the use of power.

B. Politics In Organizations

Organizational politics are activities that allow people in organizations to achieve goals without going through formal channels. Whether political activities help or hurt the organization depends on whether the person's goals are consistent with the organization's goals. In the rational model of organizations, people are assumed to manage logically, based on clear information and well-defined goals.

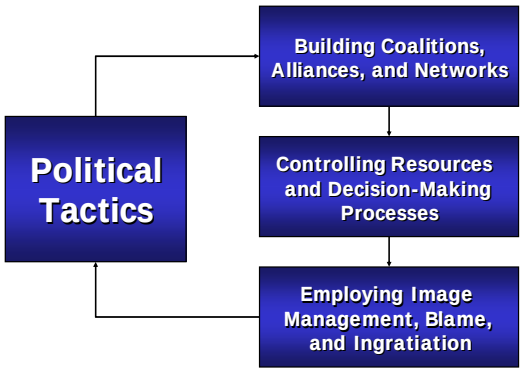
I. Elements initiating Political activities

Three elements create the conditions under which political activities thrive.

a. **Changes in any of the five strategic contextual forces** (environment, technology, strategy, culture, and structure) can generate uncertainty over resource allocation, leading to an increase in political behavior.
b. **Changes in the coordination** and integration of organizational activities used to achieve common goals can also lead to an increase in political behavior.
c. **Finally, changes in leadership,** which change traditional relationships and processes, can create an opportunity for increased political behavior.

II. Rational and political models of organizations

Organizational politics are activities that allow people in organizations to achieve goals without going through formal channels. In the rational model of organizations, people are assumed to manage logically, based on clear information and well-defined goals. In contrast, the political model assumes that information is scarce, individuals and groups have diverse goals, negotiation and alliances drive decision making, and individual goals take the place of rational, systematic processes for problem solving and decision making.



Political Tactics

Political tactics are activities that fall outside the standardized, formal processes of the organization. Four types of political tactics are building relationships, controlling resources, image management, and blame and ingratiation.

- **Building Relationship**

People develop relationships through coalitions, alliances, networks, and supportive managerial linkages. Coalitions are relationships formed over specific issues; alliances are general agreements of support among different individuals and groups; and networks are broad, loose support systems. Relationship building can either help or harm the organization.

a. Controlling Resources

Controlling resources and decisions, another type of political tactic, involves developing expertise, becoming indispensable, and influencing decision criteria. Like relationship building, controlling resources and decisions can either help or harm the organization.

b. Image Management

Image management means remaining visible and presenting oneself in the best light within the organization. It also means knowing when to avoid association with people who are considered deviants.

c. Blame and Integration

Blaming and attacking others to deflect attention from one's mistakes—and using ingratiating behavior to gain favor—are unethical and negative types of political actions.

Managers need to manage political behavior from two directions. First, they should seek to maintain and encourage constructive relationships, which are essential for coordination and effectiveness within the organization. Second, they also need to reduce negative, self-interested behaviors that can hurt the organizations. This can be accomplished through an open, supportive organizational culture; information sharing to reduce uncertainty; use of consistent, open, and fair processes, procedures, and rewards; increased cooperation with decreased internal competition; and rewarding and modeling constructive behaviors.

C. Power and Politics in Context

Power and politics are linked to strategy, structure, and culture. The development and implementation of the organization's mission, strategy, and goals entails much uncertainty, which makes the strategic planning process ripe for political activity. To be effective, managers must apply both power and politics as they negotiate, build relationships, and seek cooperation from others. The structure determines how power will be distributed in the organization, and managers need power to make structural changes in response to the environment. National and ethnic cultural values influence how managers perceive and use power. But power and politics also affect the organization's culture; in particular, how a top leader uses power and politics helps shape the culture.

KEY TERMS

Power	Ability of a person to influence another.
Authority	Power vested in a particular position.
Expert Power	Based on personal expertise and knowledge in a certain area. Others comply because they believe in the power holder's knowledge.
Legitimate Power	Based on a person holding a formal position. Others comply because they believe in the legitimacy of the power holder.
Reward Power	Based on a person's access to rewards. Others comply because of the desire to receive rewards.
Organizational Politics	Activities that allow people in organizations to achieve goals without going through formal channels.

LESSON 38

EMPLOYEE RIGHTS AND DISCIPLINE

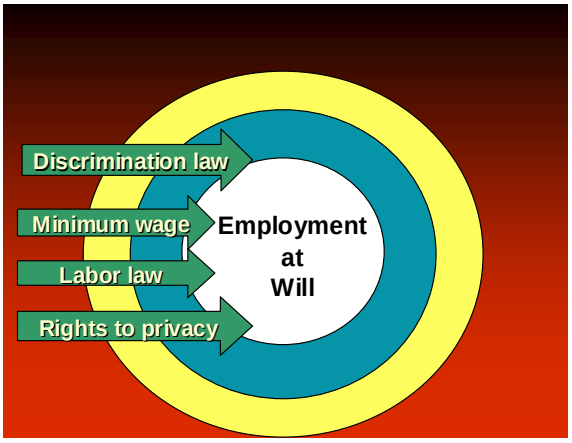
After studying this chapter, students should be able to understand the following:

A. **Employee Rights**
B. **Disciplining Employees**

LESSON OVERVIEW

Today's lecture examines employee rights and employee discipline. The concepts of employee rights, management rights, and the employment-at-will doctrine are discussed. Some challenges managers encounter in balancing employee rights with their own rights and responsibilities (duties) are explored. Employee discipline is discussed, and some suggestions for managing difficult employees are offered.

A. Employee Rights



Employee rights allow them to engage in conduct protected by laws and social sanctions. Federal and state governments have enacted laws giving employees specific protection in their relationship with their employer. The courts have also been willing to protect workers from wrongful discharge. These rights include statutory, contractual, and other rights.

There are many laws and regulations governing human resource management that have been created to help define, maintain, and preserve employee rights. Discrimination laws essentially give people the right to work without being evaluated on the basis of non-job-relevant factors such as religion, origins, sex or race. Minimum wage legislation gives people the right to expect a certain base level of compensation for their work. Labor laws give employees the right to organize and join a labor union under certain prescribed circumstances. Employee rights allow them to engage in conduct protected by laws and social sanctions. Federal and state governments have enacted laws giving employees specific protection in their relationship with their employer. The courts have also been willing to protect workers from wrongful discharge. These rights include statutory, contractual, and other rights.

a) Statutory Rights

The key statutory rights can be found in laws such in Civil Rights Acts, the Occupational Safety and Health Act (OSHA), and the National Labor Relations Act (NLRA). These rights Protect employees from discrimination, Safe working conditions, Right to form unions



b) Contractual Rights

A written employment contract details the terms of the employment relationship. These contracts usually address such issues as seniority, due process, and wrongful discharge. Besides written contracts, there are implied contracts. Employee handbooks, employment policies, and statements made by an interviewer or manager may be interpreted by the courts as implied contracts.

c) Other Rights

Beyond statutory and contract rights, employees may have rights to ethical treatment, limited free speech, and limited privacy.

d) Ways Managers and Supervisors Can Influence Their Companies' Climate of Fairness and Behavior

- Take actions that develop trust, such as sharing useful information and making good on commitments.
- Act consistently so that employees are not surprised by unexpected management actions or decision.
- Be truthful and avoid white lies and actions designed to manipulate others by giving a certain (false) impression.
- Demonstrate integrity by keeping confidences and showing concern for others.
- Meet with employees to discuss and define what is expected of them.
- Ensure that employees are treated equitably, giving equivalent rewards for similar performance and avoiding actual or apparent special treatment of favorites.
- Adhere to clear standards that are seen as just and reasonable.
- Demonstrate respect toward employees, showing openly that they care about employees and recognize their strengths and contributions.

e) Management Rights

Management rights are the rights to run the business and to retain any profits generated. In particular, this includes the right to direct the work force (i.e., to hire employees and set pay levels). Often, these rights are residual. Residual rights are those remaining that are not affected by contracts or other (i.e., EEO) laws.

f) Employment at Will

It is a common law doctrine stating that employers have the right to hire, fire, demote, or promote whomever they choose, unless there is a law or contract to the contrary and Employees have the right to quit and got another job under the same constraints. The employment-at-will rule was adopted in the nineteenth century. Workers were free to terminate their relationship (employment) for any reason, so the courts deemed it fair for employers to be able to do the same. Such a rule has stacked the deck in favor of the employer, giving wrongfully discharged employees little legal recourse. Nevertheless, employment-at-will is limited in certain situations. These include cases of public policy exceptions, implied contracts, and lack of good faith and fair dealing.

g) Employee Rights Challenges:

There is a thin line between the rights of employees and the rights of management. Workplace issues such as random drug testing, electronic monitoring and whistle-blowing highlight this conflict.

a. **Random Drug Testing**

Companies that use drug tests must address several challenges such as establishing a policy, what to do with false positives, how to ensure security over urine specimens, and whether alternative tests should be used (e.g., performance tests).

b. **Electronic Testing**

Companies attempt to fight various forms of employee theft by electronic monitoring. To use this type of monitoring successfully, employees should know what devices are being used, employers should create ways in which monitoring is beneficial to the employees as well, the employer should develop appropriate policies which are publicized throughout the company.

c. **Whistle blowing**

Whistle blowing means employees can notify the wrongdoings of the management. While federal employees who blow the whistle have certain legal protections; private-sector employees are far less protected. Because employees may decide to blow the whistle on an employer, many companies realize that it is in their best interest to establish a policy on whistle blowing.

B. Disciplining Employees

Employee discipline is a tool that managers use to communicate a need to change behavior. Traditionally, such discipline is performed by supervisors. But, when teams are used, it may be the team's responsibility. Two different approaches to discipline are widely used. They include progressive and positive discipline

a. **Progressive Discipline**

The most commonly used form of discipline, progressive discipline, consists of a series of management interventions that gives employees opportunities to correct their behavior before being discharged.

b. **Positive Discipline**

Encouraging employees to monitor their own behaviors and assume responsibility for their own actions is called positive discipline. Management still intervenes, but with counseling sessions as opposed to punishment.

KEY TERMS

Employee Rights	Employee rights allow them to engage in conduct protected by laws and social sanctions.
Whistle Blowing	A situation in which an employee notifies authorities of wrongdoings in organization.
Discipline	A procedure that corrects or punishes a subordinate because a rule of procedure has been violated.
Progressive Discipline	An approach to disciplinary action designed to ensure that the minimum penalty appropriate to the offense imposed.
Positive Discipline	Encouraging employees to monitor their own behaviors and assume responsibility for their own actions is called positive discipline

LESSON 39

DISCIPLINE (CONT...)

A. Employee Separations

A. Discipline

As discussed in previous lectures, the term discipline refers to a condition in the organization where employees conduct themselves in accordance with the organization's rules and standards of acceptable. For the most part employees discipline themselves by conforming to what is considered proper behavior because they believe it is the reasonable thing to do. One they are made aware of what is expected of them, and assuming they find these standards or rules to be reasonable, they seek to meet those expectations. But not all employees will accept the responsibility of self-discipline. There are some employees that will accept the norms of responsible employees' behavior. These employees, then, require some degree of extrinsic disciplinary action. It is this need to impose extrinsic disciplinary action that we will address in the following sections.

I. Discipline System Recommended by Labor Department

A fair discipline process is based on three prerequisites: rules and regulations, a system of progressive penalties, and an appeals process. Inform employees ahead of time as to what is and is not acceptable behavior. Progressive penalties range from oral warnings to written warnings to suspension from the job to discharge; the severity is a function of the severity of the offense and, in some cases, the number of times the offense has occurred. Discipline guidelines include the need to determine whether there was "just cause" for disciplinary action by (1) using discipline in line with the way management usually responds to similar incidents; (2) warning the employee of the consequences of the alleged misconduct; (3) punishing for violation of rules that are "reasonably related" to the efficient and safe operation of the work environment; (4) investigating adequately; (5) applying rules and employee's past history. Fairness is built into the system of discipline without punishment in that the punitive nature of discipline is reduced while there is an attempt to gain the employee's acceptance of the rules.

II. Factors to Consider when Disciplining

Before we review disciplinary guidelines, we should take at the major factors that need to be considered if we are to have fair and equitable disciplinary practices. The following seven contingency factors can help us analyze a discipline problem:

1. **Seriousness of the problem**. How sever is the problem? As noted previously, dishonesty is usually considered a more serious infraction than reporting to work 20 minutes late.
2. **Duration of problem**. Have there been other discipline problems in the past, and over how long a time span? The violation dies not take place in a vacuum. A first occurrence is usually viewed differently than a third or fourth offense.
3. **Frequency and nature of the problem**. Is the current problems part of an emerging or continuing pattern of disciplinary infractions? We are continual with not only the duration but also the pattern of the problem. Continual infractions may require but also the pattern of the problem. Continual infractions may require a different type of discipline from that applied to isolated instances of misconduct. They may also point out a situation that demands far more sever discipline in order to prevent a minor problem demands far more severe discipline in order to prevent a minor problem from becoming a major one.
4. **Extenuating Factors**. Are there extenuating circumstances related to the problem? The student who fails to turn in her term paper by the deadline because of the death of her grandfather is likely to have her violation assessed more leniently than will her peer who missed the deadline because he overslept.
5. **Degree of socialization**. To what extent has management made an earlier effort to educate the person causing the problem about the existing rules and procedures and the consequences of knowledge that the violator holds of the organization's standards of acceptable behavior. In contrast to the previous item, the new employee is less likely to have been socialized to these standards than the 20-year veteran. Additionally, the organization that has formalized, written rules governing employee conduct is more justified in aggressively enforcing

6. **Violations of these rules than is the organization whose rules are informal or vague.** History of the Organization's Discipline practices. How have similar infractions been dealt with in the past within the department? Within the entire organizations? Has there been consistency in the application of discipline procedures? Equitable treatment of employees must take into consideration precedents within the unit where the infraction occurs, as well as previous disciplinary actions taken in other units within the organization. ? Equity demands consistency against some relevant benchmark.
7. **Management Backing**. If employees decide to take their case to a higher level in management, will you have reasonable evidence to justify your decision? Should the employee challenge your disciplinary action, it is important that you have the data to back up the necessity and equity of the action taken and that you feel confident that management will support your decision. No disciplinary action is likely to carry much weight if violators believe that they can challenge and successfully override their manager's decision.

How can these seven items help? Consider that there are many reasons for why we might discipline an employee. With little difficulty, we could list several dozen or more infraction that management might believe require disciplinary action. For simplicity's sake, we have classified the most frequent violations into four categories: attendance, on-the- job behaviors, dishonesty, and on the job behavior.

- **Attendance like:** Unexcused absence, chronic absenteeism, leaving without permission
- **Work Performance** problems can include action like not completing work assignments, producing substandard products or services not meeting established production requirements
- **Dishonesty and Related Problems like,** Theft, Falsifying employment application, Willfully damaging organizational property, Punching another employee's time card, Falsifying work records
- **On-the-job Behaviors like:** Insubordination ,Smoking in unauthorized places, Fighting, Gambling, Failure to use safety devices, Failure to report injuries, Carelessness, Sleeping on the job, Using abusive or threatening language with supervisors, Possession of narcotics or alcohol, Possession of firearms or other weapons, Sexual harassment,

Infractions may be minor or serious given the situation or the industry in which one works. For example, while concealing defective work in a hand –power tool assembly line may be viewed as minor, the same action in an aerospace manufacturing plant is more serious. Furthermore, recurrence and severity of the infraction will play a role. For instance, employees who experience their first minor offense might generally expect a minor reprimand. A second offense might result in a more stringent reprimand, and so forth. In contrast, the first occurrence of a serious offense might mean not being allowed to return to work, the length of time being dependent on the circumstances surrounding the violation.

III. Disciplinary Guidelines:

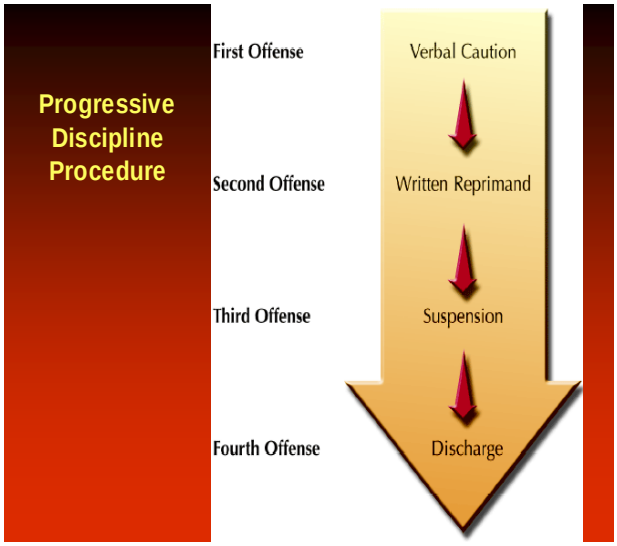
All human resource managers should be aware of disciplinary guidelines. In the section, we will briefly describe them.

a. Make Disciplinary Action Corrective Rather than punitive. The objective is to correct an employee's undesirable behavior. While punishment may be a necessary means to that end, one should never lose sight of the eventual objective.
b. Make disciplinary Action progressive. Although the type of disciplinary action that is appropriate may vary depending on the situation, it is generally desirable for discipline to be progressive. Only for the most serious violations will an employee be dismissed after a first offense. Typically, progressive disciplinary action begins with a verbal warning and proceeds through a written warning, suspension, and, only in the most serious cases, dismissal. More on this in a moment.
c. Follow the "Hot-stove" Rule. Administering discipline can be viewed as analogous to touching a hot stove (hence, the hot-stove rule).84 While both are painful to the recipient, the analogy goes further. When you touch a hot stove, you get an immediate response; the burn you receive is instantaneous, leaving no question of cause and effect. You have ample warning; you know what happens if you touch a red-hot stove, you furthermore, the result is consistent: every time you touch a hot stove, you get the same response you get burned. In all, the result is impersonal; regardless of who you are, if you touch a hot stove, you will get burned. The comparison between touching a hot stove and administering discipline should be apparent, but let us briefly expand on each of the four points in the analogy.

The impact of a disciplinary action will be reduced as the time between the infraction and the penalty's implementation lengthens. The more quickly the discipline follows the offense, the offense, the more likely it is that the employee will associate the discipline with the offense rather than with the manager imposing the discipline. As a result, kit is best that the disciplinary process begin as soon as possible after the violation is noticed. Of course, this desire for immediacy should not result in undue haste. If all the facts are not in, managers may invoke a temporary suspension, pending a final decision in the case. The manager has an obligation to give advance warning prior to initiating formal disciplinary action. This means the employee must be aware of the organization's rule and accept its standards of behavior. Disciplinary action is more likely to be interpreted as fair by employees when there is clear warning that a given violation will lead to discipline and when it is known that discipline will be. Fair treatment of employees also demands that disciplinary action be consistent. When rule violations are enforced in an inconsistent manner, the rules lose their impact. Morale will decline and employees will question the competence of management. Productivity will suffer as a result of employee insecurity and anxiety. All employees want to know the limits of permissible behavior, and they look to the actions of their managers for such feedback. The last guideline that flows from the hot-stove rule is: keep the discipline impersonal. Penalties should be connected with a given violation, not with the personality of the violator. That is, discipline should be directed at what employees have done, not the employees themselves. As a, manager, you should make it clear that violation personal judgments about the employee's character. You are penalizing the rule violation, not the individual, and all employees committing the violation can expect to be penalized. Furthermore, once the penalty has been imposed, you as manager must make every effort to forget the incident; you should attempt to treat the employee in the same manner as you did prior to the infraction.

IV. Disciplinary Actions (Progressive discipline)

As mentioned earlier, discipline generally follows a typical sequence of four steps: written verbal warning, written warning, suspension, and dismissal. Let's briefly review these four steps.



a. Written Verbal Warning

The mildest form of discipline is the written verbal warning. Yes, the term is correct. A written, verbal warning is a temporary record of a reprimand that is then placed in the manager's file on the employee. This written verbal warning should state the purpose, date, and outcome of the interview with the employee. This in fact, what differentiates the written verbal warning from the verbal warning. Because of the need to document this step in the process, the verbal warning must be put into writing. The difference, however, is that this warning remains in the hands of the manager; that is, it is not forwarded to HRM for inclusion in the employee's personnel file.

The written verbal reprimand is best achieved when completed in a private and informal environment. The manager should begin by clearly informing the employee of the rule that has been violated and the problem that this infraction has caused. For instance, if the employee has been late several times, the manager would reiterate the organization's rule that employees are to be at their desks by 8:00 A.M, and then proceed to give specific evidence of how violation of this rule has resulted in an increase in workload for others and has lowered departmental morale. After the problem has been made clear, the manager should then allow the employee to respond. Is he aware of the problem? Are there extenuating circumstances that justify his behavior? What does he plan to do correct his behavior?

After the employee has been given the opportunity to make his case, the manager must determine if the employee has proposed an adequate solution to the problem. If this has not been done, the manager should direct the discussion toward helping the employee figure out ways to prevent the trouble from recurring. Once a solution has been agreed upon, the manager should ensure that the employee understands what, if any, follow-up action will be taken if the problem recurs.

b. Written Warning

The second step in the progressive discipline process is the written warning. In effect, it is the first formal stage of the disciplinary procedure. This is because the written warning becomes part of the employee's official personnel file. This is achieved by not only giving the warning to the employee but sending a copy to HRM to be inserted in the employee's permanent record. In all other ways, however, the procedure concerning the writing of the warning is the same as the written verbal warning; that is, the employee is advised in private of the violation, its effects, and potential consequences of future violations. The only difference is that the discussion concludes with the employee being told that a formal written warning will be issued. Then the manager writes up the warning-stating the problem, the rule that has been violated, any acknowledgment by the employee to correct her behavior, and the consequences form a recurrence of the deviant behavior-and sends it to HRM.

c. Suspension

A suspension or layoff would be the next disciplinary step, usually taken only the prior steps have been implemented without the desired outcome. Exceptions-where suspension is given without any prior verbal or written warning –occasionally occur if the infraction is of a serious nature.

A suspension may be for one day or several weeks; disciplinary layoffs in excess of a month are rare. Some organizations skip this step completely because it can have negative consequences for both the company and the employee. From the organization's perspective, a suspension means the loss of the employee for the layoff period. If the person has unique skills or is a vital part of a complex process, her loss during the suspension period can severely impact her department or the organization performance if a suitable replacement cannot be located. From the employee's standpoint, a suspension can result in the employee returning in a more unpleasant and negative frame of mind than before the layoff.

Then why should management consider suspending employees as a disciplinary measure? The answer is that a short layoff is potentially a rude awakening to problem employees. It may convince them that management is serious and may move them to accept responsibility for following the organization's rules.

d. Dismissal

Management's ultimate disciplinary punishment is dismissing the problem employee. Dismissal should be used only for the most serious offenses. Yet it may be the only feasible alternative when an employee's behavior seriously interferes with a department or the organization's operation.

A dismissal decision should be given long and hard consideration. For almost all individuals, being fired from a fob is an emotional trauma. For employees who have been with the organization for many years' dismissal can make it difficult to obtain new employment or may require the individual to undergo extensive retraining. In addition, management should consider the possibility that a dismissed employee will take legal action to fight the decision. Recent count cases indicate that juries are cautiously building a list of conditions under which employees may not be lawfully discharged.

B. Employee Separations

I. Employee Separations

An employee separation occurs when an employee ceases to be a member of an organization. The rate of employee separations in an organization (the turnover rate) is a measure of the rate at which employees leave the firm.

a. **The Costs of Employee Separations**

There are always costs associated with employee separations. The cost may be more or less, depending on whether managers intend to eliminate the position or to replace the departing employee. Costs included in separations include: recruitment costs, selection costs, training costs, and separation costs.

1. Recruitment costs.
2. Selection costs.
3. Training costs.
4. Separation costs.

b. **The Benefits of Employee Separations**

While many people understand the costs of employee separations, there are benefits as well. Some of the benefits of separations include: reduced labor costs, replacement of poor performers, increased innovation, and the opportunity for greater diversity.

1. Reduced labor costs.
2. Replacement of poor performers.
3. Increased innovation.
4. Opportunity for greater diversity.

II. Types of Employee Separations

Employee separations can be divided into two categories based on who initiates the termination of the employment relationship. Voluntary separations (quits and retirements) are initiated by the employee. Involuntary separations (discharges and layoffs) are initiated by the employer.

a. **Voluntary Separations**

1. Quits.
2. Retirements.

b. **Involuntary Separations**

Involuntary separations occur when management decides to terminate its relationship with an employee due to economic necessity or a poor fit between the employee and the organization.

1. Discharges.
2. Layoffs.
3. Downsizing and rightsizing. A reduction in the number of people employed by a firm (also known as *restructuring* and *rightsizing*); essentially the reverse of a company growing and suggests a one-time change in the organization and the number of people employed

III. Managing Early Retirements

When a company realizes that it needs to downsize its scale of operations, its first task is to examine alternatives to layoffs. One of the most popular of these methods is early retirement.

- **The Features of Early Retirement Policies:** Early retirement policies consist of two features: (a) a package of financial incentives that make it attractive for senior employees to retire earlier than they planned and (b) an open window that restricts eligibility to a fairly short period. After the window is closed, the incentives are no longer available to senior employees.

- **Avoiding Problems with Early Retirements:** Managing early retirement policies requires careful design, implementation, and administration. When not properly managed, early retirement policies can cause a host of problems. All managers with senior employees should make certain that they do not treat senior employees any differently than other employees.

IV. Managing Layoffs

Generally, an organization will institute a layoff when it cannot reduce its labor costs by any other means. Managers should first try to reduce labor costs with layoff alternatives.

- **Alternatives to Layoffs**: There are many alternative methods of reducing labor costs that management should explore before deciding to conduct a layoff. These alternatives include things such as early retirements, employment policies (attrition and hiring freeze), job redesign (job sharing), pay and benefits policies (pay freezes and cuts), training, and other voluntary workforce reductions.

1. Employment policies.
2. Changes in job design.
3. Pay and benefits policies.
4. Training.
5. Nontraditional alternatives to layoffs.

- **Implementing a Layoff:** A layoff can be a traumatic event that affects the lives of thousands of people, so managers must implement the layoff carefully. Issues that need to be considered include how to notify employees, developing layoff criteria, communicating to laid-off employees, coordinating media relations, maintaining security, and reassuring survivors of the layoff.
  1. Notifying employees.
  2. Developing layoff criteria.
  3. Communicating to laid-off employees.
  4. Coordinating media relations.
  5. Maintaining security.
  6. Reassuring survivors of the layoff.

V. Outplacement

Outplacement is a human resource program created to help separated employees deal with the emotional stress of job loss and to provide assistance in finding a new job

- **The Goals of Outplacement:**

The goals of outplacement reflect the organization's need to maintain employee productivity. The most important of these goals are (1) reducing the moral problems of employees who will be laid off so that they will remain productive; (2) minimizing the amount of litigation initiated by separated employees; and (3) assisting separated employees in quickly finding comparable jobs.

- **Outplacement Services:** The most common outplacement services provided to separate employees are emotional support and job-search assistance. These services can help achieve the goals of outplacement.
  1. Emotional support.
  2. Job-search assistance.

VI. The role of HR Department in employee separations and outplacement

Cooperation and teamwork characterize the relationship between managers and HR staff in the employee separation process. HR staff can act as valuable advisers to managers, particularly in the dismissal process, by helping them avoid mistakes that can lead to claims of wrongful discharge. They can also help protect the employee whose rights may be violated by managers. Furthermore, they may assist in the development of and/or selection of the contents of voluntary severance plans or buyouts, early retirement plans, and outplacement services

KEY TERMS

Employee Separations	An employee separation occurs when an employee ceases to be a member of an organization.
Downsizing	A reduction in the number of people employed by a firm (also known as *restructuring* and *rightsizing*)
Outplacement	A company procedure that assists a laid-off employee in finding employment elsewhere

LESSON 40

LEADERSHIP

LESSON OVERVIEW

Today we will discuss the role of leadership in the organizations. The face of leadership is changing in business today. In addition to influencing subordinates to achieve desired objectives, today's managers must make quicker, more accurate decisions in a consensus building and teamwork environment. Leaders fill many roles simultaneously. Leaders not only influence others to achieve desired goals, they interact with and motivate subordinates, and deal with conflict and any other issues that may arise.

A. Leadership

Leadership is a process where Leader/Person, who influences individuals and groups in an organization, helps them establish goals, guides them toward achievement of those goals, and allows them to be effective as a result. Leaders fill many roles simultaneously. Leaders not only influence others to achieve desired goals, they interact with and motivate subordinates, and deal with conflict and any other issues that may arise.

How Leaders Provide a Vision: To be effective, leaders must provide a vision that is a general statement of the organization's intended direction that evokes positive emotional feelings in organization members.

I. The Foundations and Traits of Leadership

a. **The Leader's Traits:** Researchers have studied the traits of successful leaders for many years in an effort to identify a set of core traits that would predict success as a leader. Recent research indicates that there are certain core traits that significantly contribute to success for a business leader. These include drive, the desire to lead, honesty/integrity, self-confidence, cognitive ability and knowledge of the business.

b. The Leader's Behavior

How Leaders Act Like Leaders? Leadership studies that focus on how the leader's style is related to his/her effectiveness as a leader all focus on what the leader does and how he/she behaves in trying to influence followers. These studies also focus on the two major functions of leaders—accomplishing the task and satisfying the needs of group members.

Initiating Structure and Consideration: Initiating structure and consideration have been two of the most frequently used descriptions of leader behavior. These concepts evolved from the Ohio State University leadership studies. Initiating structure is leader behavior whereby the person organizes work to be done and defines relationships or roles, the channels of communication, and ways of getting jobs done. Consideration is leader behavior indicative of mutual trust, friendship, support, respect, and warmth. In most situations, considerate leaders will have more satisfied subordinates, but the effects of such considerate leadership on employee performance are inconsistent. The effects of initiating structure are also inconsistent with respect to performance and satisfaction.

Participative and Autocratic Styles: Leaders can act in either a participative or autocratic style. Autocratic leaders solve problems and make decisions by themselves based upon information available at the time. Participative leaders share the problem with subordinates as a group, and together, they generate and evaluate alternatives and attempt to reach consensus on a solution.

Transformational Leadership Behavior: Transformational leaders encourage and obtain performance beyond expectations by formulating visions, inspiring their subordinates to pursue them, cultivating employee acceptance and commitment to their visions, and providing their employees with the big picture. Transformational leaders are perceived as charismatic, inspirational, considerate, and stimulating. On the other hand, leaders who exhibit transactional behaviors are more focused on accomplishing the task at hand and maintaining good working relations with subordinates by rewarding for performance.

Are There Gender Differences in Leadership Styles? Research suggests that there are few differences in the way men and women lead. The slower career progression for women can be better accounted for by institutional biases and inaccurate stereotypes of women managers. It has been found that men and women perform at about the same level. Women managers have been found to be more achievement oriented, understanding, patient, relationship oriented, socially sensitive, and communicative than men.

c. Situational Theories of Leadership

- **Fiedler's Contingency Theory of Leadership:** Fiedler used a least preferred coworker (LPC) scale to measure whether a leader who was lenient in evaluating associates he/she least liked working with was more likely or less likely to have a high-producing group than the leader who was demanding and discriminating. Three factors combine to determine which leadership style is more appropriate: position power, task structure, and leader-member relations. Fiedler concluded that if the situation is favorable or unfavorable to the leader, a more task-oriented, low-LPC leader is appropriate. In the middle range where the factors are more mixed, a more people-oriented, high-LPC leader is more appropriate. Recent research findings cast doubt on the validity of these conclusions.

- **Path-Goal Leadership Theory:** Path-goal theory of leadership, developed by House, is based upon expectancy theory, which states whether a person will be motivated depends on whether the person believes he/she has the ability to accomplish a task and his/her desire to do so. The theory concludes that leaders should increase the personal rewards subordinates receive for attaining goals and make the path to these goals easier to follow. The leadership style required depends upon the situation, so the leader must be flexible and adopt the style that is required.

- **Leader-Member Exchange Theory:** Leader-member exchange theory (LMX) says that leaders may use different styles with different members of the same work group. Followers tend to fall in either the in-group or the out-group in relating to the leader. The quality of leader-member exchanges was positively related to a leader's perception of the follower's similar attitudes and extroversion. The findings suggest that leaders should try to make the in-group more inclusive, and followers should try to be in the leader's in-group by emphasizing similarity in attitudes.

- **The Situational Leadership Model:** The situational leadership model of leadership suggests that a leader should adapt his/her leadership style (delegating, participating, selling, or telling) to the task.
    - **The Vroom-Jago-Yetton Model:** Vroom, Jago, and Yetton have developed a leadership model that enables a leader to analyze a situation and decide whether it is right for participation. The technique includes a set of management decision styles, a set of diagnostic questions, and a decision tree for identifying how much participation is called for in a situation.

II. Power and Leadership

Leaders without power are really not leaders because they have no chance of influencing anyone to do anything. Leaders in organizations normally derive much of their power from their formal position and the ability to allocate rewards. In some cases, leaders may have expert or referent power depending upon their individual characteristics.

III. Becoming a Leader

Start to think Like a Leader: Thinking like a leader requires applying the three-step model: identify what is happening; account for it; and decide on the necessary leadership actions. And remember that leading requires knowledge of matters other than leadership theories (e.g., culture, motivation, groups, conflict, and change) to influence followers to move toward goals.

Develop Your Judgment: Leaders can improve their judgment or decision-making ability by increasing their knowledge, debasing their judgment, being creative, using intuition, not overstressing the finality of decisions, and making sure the timing of a decision is right.

Develop Your Other Leadership Traits: Leaders can use good judgment, exhibit self-confidence, and improve their knowledge of the business to improve their effectiveness.

Start to Build Your Power Base: Leaders can strengthen the foundation of their leadership by making sure followers share their vision, adapting their leadership style and actions to the situation, substituting other management skills to help them lead by choosing the right followers, and organizing the task properly to reduce the need for leadership.

Help Others Share Your Vision: Ensuring that your subordinates know and understand your vision, mission, and objectives can help the leader influence the subordinates to work enthusiastically toward achieving an objective.

Adapt Your Style and Actions to the Situation: No one leadership style is appropriate for every situation.

Use Your Other Management Skills to Lead: Leaderships should choose the right followers and organize the task properly.

B. Building Trust: The Essence of Leadership

I. Understanding Trust

Trust is a positive expectation that another will not act opportunistically. The two most important elements of our definition are that it implies familiarity and risk. Trust is a history-dependent process based on relevant but limited samples of experience. It takes time to form, building incrementally and accumulating, it involves making oneself vulnerable. By its very nature, trust provides the opportunity for disappointment. But trust is not taking risk per se; rather it is a willingness to take risk. Recent evidence has identified five: integrity, competence, consistency, loyalty, and openness. Integrity refers to honesty, conscientiousness, and truthfulness. This one seems to be most critical when someone assesses another's trustworthiness. Competence encompasses an individual's technical and interpersonal knowledge and skills. Consistency relates to an individual's reliability, predictability, and good judgment in handling situations. Loyalty is the willingness to protect and save face for another person. The final dimension of trust is openness.

II. Trust as One Foundation of Leadership

1. Trust appears to be a primary attribute associated with leadership.
2. Part of the leader's task has been working with people to find and solve problems, but whether leaders gain access to the knowledge and creative thinking they need to solve problems depends on how much people trust them.
3. When followers trust a leader, they are willing to be vulnerable to the leader's actions.
4. Honesty consistently ranks at the top of most people's list of characteristics they admire in their leaders.
5. Now, more than ever, managerial and leadership effectiveness depends on the ability to gain the trust of followers.
6. In times of change and instability, people turn to personal relationships for guidance; and the quality of these relationships are largely determined by level of trust.



7. Moreover, contemporary management practices such as empowerment and the use of work teams require trust to be effective.

III. Types of Trust

- **Deterrence-based Trust:** The most fragile relationships are contained in deterrence-based trust, based on fear of reprisal if the trust is violated. It works only to the degree that punishment is possible, consequences are clear, and the punishment is actually imposed if the trust is violated. To be sustained, the potential loss of future interaction with the other party must outweigh the profit potential that comes from violating expectations. Most new relationships begin on a base of deterrence. In a new manager-employee relationship the bond that creates this trust lies in the authority held by the boss and the punishment he/she can impose.

- **Knowledge-based Trust:** Most organizational relationships are rooted in knowledge-based trust. Trust is based on the behavioral predictability that comes from a history of interaction. Knowledge of the other party and predictability of his or her behavior replaces the contracts, penalties, and legal arrangements more typical of deterrence-based trust. This knowledge develops over time, largely as a function of experience. The more communication and regular interaction you have with someone else, the more this form of trust can be developed and depended upon. Interestingly, at the knowledge-based level, trust is not necessarily broken by inconsistent behavior. If you can adequately explain or understand another's apparent violation, you can accept it, forgive the person, and move on in the relationship. Most manager-employee relationships are knowledge-based.

- **Identification-based Trust:** The highest level of trust is achieved when there is an emotional connection between the parties. It allows one party to act as an agent for the other and substitute for that person. This mutual understanding is developed to the point that each can effectively act for the other. Controls are minimal at this level. The best example of identification-based trust is a long-term, happily married couple. You see identification-based trust occasionally in organizations among people who have worked together for long periods of time and have a depth of experience that allows them to know each other inside and out. This is also the type of trust that managers ideally seek in teams.

KEY TERMS

Leadership Leadership is a process where Leader/Person who influences individuals and groups in an organization.

Trust Trust is a positive expectation that another will not act opportunistically.

Vision **V**ision that is a general statement of the organization's intended direction that evokes positive emotional feelings in organization members.

LESSON 41

REVISION (LESSON 12-21)

KEY TERMS

Plans	Plans are methods for achieving a desired result.
Simulation	A technique for experimenting with a real-world situation through a mathematical model representing that situation. A model is an abstraction of the real world.
Strategic planning	The process by which top management determines overall organizational purposes and objectives and how they are to be achieved.
Human resource planning (HRP)	It is the process of systematically reviewing human resource requirements to ensure that the required number of employees, with the required skills, is available when they are needed.
Layoffs	At times, the firm has no choice but to actually lay off part of its workforce.
Strategic planning	It is the process by which top management determines overall organizational purposes and objectives and how they are to be achieved.
Human Resource Information System	HRISs are systems used to collect, record, and store, analyze, and retrieve data concerning an organization's human resources.
Job Analysis:	Studying and under-standing jobs through the process known as *job analysis* is a vital part of any HRM program
Job Specification	A job specification is a document containing the minimum acceptable qualifications that a person should possess in order to perform a particular job
Job Description	A job description is a written statement of what the jobholder actually does, how he or she does it, and under what conditions the job is performed.
Job Evaluation	It suggests about the relevant importance of a particular job in organization.
Job Identification	Contains the job title, the FLSA status, date, and possible space to indicate who approved the description, the location of the job, the immediate supervisor's title, salary and/or pay scale.
Job Summary	Describe the general nature of the job, and includes only its major functions or activities.
Recruitment:	It is the process of attracting individuals on a timely basis, in sufficient numbers and with appropriate qualifications, and encouraging them to apply for jobs with an organization.
Internal Recruiting Sources	When job vacancies exist, the first place that an organization should look for placement is within itself
Job Evaluation	It is used to evaluate the importance of job by considering its contribution towards achievements of the objectives of organization.

Advertising	A way of communicating the employment needs within the firm to the public through media such as radio, newspaper, television, industry publications, and the Internet.
Yield Ratios:	Yield Ratios help organizations decide how many employees to recruit for each job opening.
Validity:	The extent to which a test measures what it purports to measure. If a test cannot indicate ability to perform the job, it has no value as a predictor.
Snap Judgments:	This is where the interviewer jumps to a conclusion about the candidate during the first few minutes of the interview.
Outsourcing	Out sourcing is the process of transferring responsibility for an area of service and its objectives to an external service provider instead of internal employee.
Contingent Workers	It is also known as part-timers, temporaries, and independent contractors, comprise the fastest-growing segment of our economy.
Internships	A special form of recruiting that involves placing a student in a temporary job.
Recruitment:	Recruiting refers to the process of attracting potential job applicants from the available labor force.
Selection Process	*Selection* is the process of choosing from a group of applicants those individuals best suited for a particular position.
Application Blank	Application blank is a formal record of an individual's application for employment.
Standardization:	Refers to the uniformity of the procedures and conditions related to administering tests. It is necessary for all to take the test under conditions that are as close to identical as possible.
Objectivity:	Achieved when all individuals scoring a given test obtain the same results.
Norms:	Provide a frame of reference for comparing applicants' performance with that of others. A norm reflects the distribution of scores obtained by many people similar to the applicant being tested. The prospective employee's test score is compared to the norm and the significance of the test score is determined.
Reliability:	The extent to which a selection test provides consistent results. If a test has low reliability, its validity as a predictor will also be low. To validate reliability, a test must be verified.
Socialization:	Teaching the corporate culture and philosophies about how to do business In order to reduce the anxiety that new employees may experience, attempts should be made to integrate the person into the informal organization.
Training:	Training is a process whereby people acquire capabilities to aid in the achievement of organizational goals. It involves planned learning activities designed to improve an employee's performance at her/his current job.
Corporate Culture:	The firm's culture reflects, in effect, how we do things around here. This relates to everything from the way employees dress to the way they talk.

LESSON 42

REVISION (LESSON 22-26)

KEY TERMS

Training The process of teaching new employees the basic skills they need to perform their jobs.

Task Analysis A detailed study of a job to identify the skills required so that an appropriate training program may be instituted.

Performance Analysis Careful study of performance to identify a deficiency and then correct it with new Equipment, a new employee, a training program, or some other adjustment.

On-the-job Training (OJT) Training a person to learn a job while working at it.

Vestibule or Simulated Training employees on special off-the-job equipment, as in training airplane pilot training, whereby training costs and hazards can be reduced.

Coaching/Mentoring A method of on-the-job training where an experienced worker or Method the trainee's supervisor trains the employee.

Action Learning A training technique by which management trainees are allowed to work full-time analyzing and solving problems in other departments.

Case Study Method A development method in which the manager is presented with a written description of an organizational problem to diagnose and solve.

Business Games A development technique in which teams of managers compete with one another by making computerized decisions regarding realistic but simulated companies.

Behavior Modeling A training technique in which trainees are first shown good management techniques in a film, are then asked to play roles in a simulated situation, and are then given feedback and praise by their supervisor.

Learning Organization An organization skilled at creating, acquiring, and transferring knowledge and at modifying its behavior to reflect new knowledge and insights.

Training The heart of a continuous effort designed to improve employee competency and organizational performance.

Human Resource Development
A major HRM function that consists not only of T&D but also individual career planning and development activities and performance appraisal.

Learning Organizations Firms that recognize the critical importance of continuous performance-related training and development and take appropriate action.

Job Rotation It involves moving employees from one job to another for the purpose of providing them with broader experience.

Assistant to Position Employees with demonstrated potential are sometimes given the opportunity to work under a successful manger.

Job Rotation It involves moving employees to various positions in organization in an effort to expand their skills, knowledge and abilities.

Career	Career can be defined as a general course of action a person chooses to pursue throughout his or her working life.
Career planning	Career planning is an ongoing process through which an individual sets career goals and identifies the means to achieve them.
Career Paths	Career paths have historically focused on upward mobility within a particular occupation.
Career Development	A formal approach taken by an organization to help people acquire the skills and experiences needed to perform current and future jobs is termed as career development.
Mentoring & Coaching	When senior employee takes an active role in guiding another individual, we refer to this activity as mentoring and coaching.
Dual-Career Path	A career-path method, that recognizes that technical specialists can and should be allowed to continue to contribute their expertise to a company without having to become managers.
Performance	Performance can be defined as efforts along with the ability to put efforts supported with the organizational policies in order to achieve certain objectives.
Motivation	Activities in HRM concerned with helping employees exert high energy levels and to get performance in desirable direction.
Performance Management	A process that significantly affects organizational success by having managers and employees work together to set expectations, review results, and reward performance.
Performance	Performance appraisal is a system of review and evaluation of an individual or team's job performance.
Halo Error	Occurs when the evaluator perceives one factor as being of paramount importance and gives a good or bad overall rating to an employee based on this factor.
MBO	It is a goal-oriented performance appraisal method, requires that supervisors and employees determine objectives for employees to meet during the rating period, and the employees appraise how well they have achieved their objectives.
360-Degree Feedback	Involves input from multiple levels within the firm and external sources as well.
Central Tendency	Occurs when employees are incorrectly rated near the average or middle of the scale.

LESSON 43

REVISION (LESSON 27-35)

KEY TERMS

Job Evaluation	Job evaluation means systematically determining relative worth of jobs to create job structure.
Point Method	Raters assign numerical values to specific job components, and the sum of these values provides a quantitative assessment of a job's relative worth.
Classification Method	A job evaluation method by which a number of classes or grades are defined to describe a group of jobs is known as Classification method.
Ranking Method	Raters examine the description of each job being evaluated and arrange the jobs in order according to their value to the company.
EAPs	Specific programs designed to help employees with personal problems.
Positive Reinforcement	Applying a valued consequence that increases the likelihood that the person will repeat the behavior that led to it is termed as positive reinforcement.
Punishment	Punishment means administering an aversive consequence.
Merit Pay	A pay increase given to employees based on their level of performance as indicated in the appraisal.
Equity	Workers' perceptions that they are being treated fairly. Compensation must be fair to all parties concerned and be perceived as fair.
External Equity	Exists when a firm's employees are paid comparably to workers who perform similar jobs in other firms.
Internal Equity	Exists when employees are paid according to the relative value of their jobs within an organization.
Compensation	The total of all rewards provided employees in return for their services.
Job Pricing	Job pricing means placing a dollar value on the worth of a job.
Flexi-time	The practice of permitting employees to choose, with certain limitations, their own working hours.
Capitation	Typically, the reimbursement method used by primary care physicians is an approach to health care where providers negotiate a rate for health care for a covered life over a period of time.
Disability protection	Workers' compensation protects employees from job-related accidents and illnesses. Some firms, however, provide additional protection that is more comprehensive.
(ESOP)	A defined contribution plan in which a firm contributes stock shares to a trust.
Gain sharing	Plans that are designed to bind employees to the firm's performance by providing an incentive payment based on improved company performance.
Scanlon plan	Provides a financial reward to employees for savings in labor costs that result from their suggestions.

Telecommuting	Telecommuting is a work arrangement whereby employees are able to remain at home, or otherwise away from the office, and perform their work over telephone lines tied to a computer.
Autonomy	The extent of individual freedom and discretion employees has in performing their jobs.
Pay for Performance	Pay for performance refers to any compensation method that ties pay to the quantity or quality of work the person produces.
Empowerment	Empowerment means giving employees the authority, tools, and information they need to do their jobs with greater autonomy.
Extinction	Withdrawing or failing or failing to provide a reinforcing consequence.
Punishment	Administering an aversive consequence.
Positive Reinforcement	applying a valued consequence that increases the likelihood that the person will repeat the behavior that led to it.
Motivation	Motivation is the inner drive that directs a person's behavior toward goals.
Safety	Involves protecting employees from injuries due to work-related accidents.
Health	Refers to the employees' freedom from physical or emotional illness.
Safety	Involves protecting employees from injuries due to work-related accidents.
Health	Refers to the employees' freedom from physical or emotional illness.
Stress	Stress is the body's nonspecific reaction to any demand made on it.
Burnout	The total depletion of physical and mental resources caused by excessive striving to reach an unrealistic work-related goal.
Hypnosis	An altered state of consciousness that is artificially induced and characterized by increased receptiveness to suggestions.
Constraints	Constraints are barriers that keep us from doing what we desire.
Demands	Desires that are backed by the purchasing power or affordability.
Biofeedback	A method of learning to control involuntary bodily processes, such as blood pressure or heart rate.
Transcendental Meditation	A stress-reduction technique in which an individual, comfortably seated, mentally repeats a secret word or phrase provided by a trained instructor.
Burnout	An incapacitating condition in which individuals loses a sense of the basic purpose and fulfillment of their work.
Communication	Exchange of information between people; it occurs when one person understands the meaning of a message sent by another person, and responds to it.
Noise	All factors that interfere with and distort communication.
Encoding	Process by which sender puts a message in a certain format to send to the receiver.

Feedback	Information about some behavior and its effect.
Decoding	Process by which the receiver translates the sender's message into an understandable form.
Grievance procedure	A formal, systematic process that permits employees to complain about matters affecting them and their work.
Collective bargaining	The process through which representatives of management and the union meet to negotiate a labor agreement.
Mediation	A process whereby a neutral third party enters a labor dispute when a bargaining impasse has occurred.
Boycotts	An agreement by union members to refuse to use or buy the firm's products.
Arbitration	The process that allows the parties to submit their dispute to an impartial third party for resolution.

LESSON 44

INTERNATIONAL DIMENSIONS OF HRM

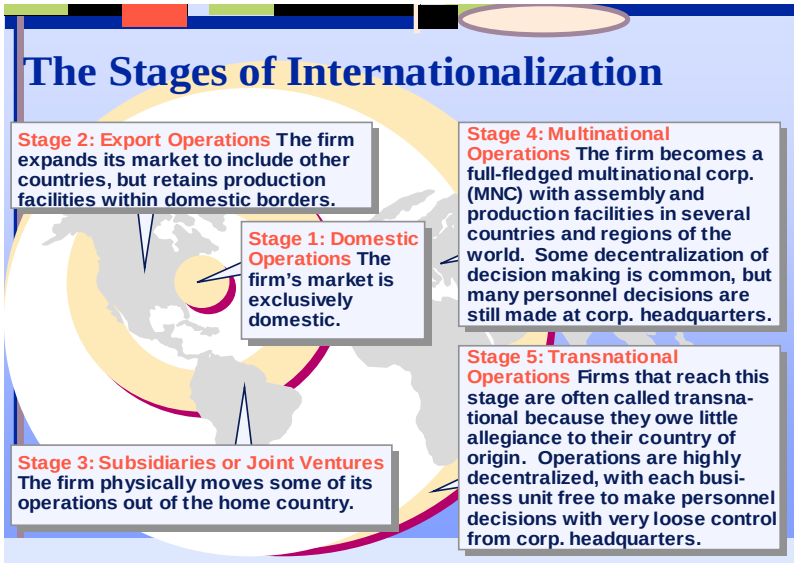
This lecture demonstrates how managers can effectively utilize HRM practices to enhance their firms' competitive response in an era when the opportunities and challenges facing business are international in nature. It covers the stages of international involvement, the challenges of expatriate job assignments, and the ways to make those assignments more effective. It also discusses the development of HRM policies in a global context and the specific HR concerns of exporting firms.

A. Managing Human Resources in an International Business

Globally, HR executives are strategic partners with line managers and actively participate in top-level business decisions that bring human resource perspectives to the global management of a company. Basically, the role of the global human resource executive is focused on being a strategic business partner and decision maker. Any human resource initiative must be based on maximizing productivity to best benefit the bottom line, and, therefore, a solid understanding of the total global system is essential. Just as global business enterprises evolve, so do the human resources that support them. The global human resources role is, and should be, a natural extension of the positive orientation toward global human resource management and the recognition of the strategic role that must play.

I. The Stages of International Involvement

Firms progress through five stages (e.g., domestic operations, export operations, subsidiaries or joint ventures, multinational operations, and transnational operations) as they internationalize their operations. See **Figure** for a graphical display of these stages. The higher the stage, the more HR practices need to be adapted to diverse cultural, economic, political, and legal environments. For example, HRM practices at Stage 5 companies (transnational corporations) are designed to blend individuals from diverse backgrounds to create a shared corporate (rather than national) identity and a common vision. The evolution of global business stages are:



- **Exporting**—Selling abroad, either directly or indirectly, by retaining foreign agents and distributors.
- **Licensing**—An arrangement whereby an organization grants a foreign firm the right to use intellectual properties such as patents, copyrights, manufacturing processes, or trade names for a specific period of time.
- **Franchising**—The parent company grants another firm the right to do business in a prescribed manner. Franchisees must follow stricter operational guidelines than do licensees. Licensing is usually limited to manufacturers, whereas franchising is popular with service firms such as restaurants and hotels.
- **Multinational Corporation (MNC)**—A firm that is based in one country (the parent or home country) and produces goods or provides services in one or more foreign countries (host countries).
- **Global Corporation**—Has corporate units that are integrated to operate as one organization worldwide in a number of countries.

II. Global Human Resource Management

The utilization of global human resources to achieve organizational objectives without regard to geographic boundaries. Those engaged in the management of global human resources develop and work through an integrated global human resource management system similar to that experienced domestically.

III. Global Staffing

A global organization must have qualified individuals in specific jobs at specific places and times in order to accomplish its goals. This process involves obtaining such people globally through human resource planning, recruitment, and selection.

A. Type of staff members

1. **Expatriate**: An employee working in a firm who is not a citizen of the country in which the firm is located but is a citizen of the country in which the organization is headquartered.
2. **Host-country national (HCN)**: An employee working in a firm who is a citizen of the country in which the firm is located, but where the firm is operated by an organization headquartered in another country. Normally the bulk of employees in international offices will be host-country nationals.
3. **Third-country national (TCN)**: A citizen of one country, working in a second country, and employed by an organization headquartered in a third country.

B. Approaches to Global Staffing

1. **Ethnocentric staffing**: Companies primarily hire expatriates to staff higher-level foreign positions.
2. **Polycentric Staffing**: When more host-country nationals are used throughout the organization, from top to bottom.
3. **Regiocentric Staffing**: Similar to the polycentric approach, but regional groups of subsidiaries reflecting the organizations strategy and structure work as a unit.
4. **Geocentric staffing**: A staffing approach that uses a worldwide integrated business strategy.

Global training and development is needed because people, jobs, and organizations are often quite different globally.

IV. Global Human Resource Development

a. **Expatriate Development**—The development process should start as soon as the workforce is selected, even before beginning global operations if possible.

b. **Repatriation Orientation and Training**—Orientation and training is necessary prior to repatriation, which is the process of bringing expatriates home. Repatriation orientation and training is needed to prepare the employee, and the family, for a return to the home-country culture and to prepare the expatriate's new subordinates and supervisor for the return.

V. Global Compensation and Benefits

Probably the main reason that organizations relocate to other areas of the world is because of high-wage pressures that threaten their ability to compete on a global basis. Basically, the compensation levels are usually much lower globally. Variations in laws, living costs, tax policies, and other factors all must be considered when establishing global compensation packages.

VI. Global Safety and Health

Safety and health aspects of the job are important because employees who work in a safe environment and enjoy good health are more likely to be productive and yield long-term benefits to the organization. For this reason, progressive global managers have long advocated and implemented adequate safety and health programs. Basically, U.S.-based global operations are often safer and healthier than those of the host-country operations, but frequently not as safe as similar operations in the United States.

VII. Possible Barriers To Effective Global Human Resource Management

Unfortunately, a global organization must cope with various unknowns. The management of HR functions globally is enormously complicated by the need to adapt HR policies and practices to different host countries. HR management must consider the potential impact of global differences on human resources. Differences in politics, law, culture, economics, labor/management relations systems, and other factors complicate the task of global human resource management.

a. **Political and Legal Factors**—the nature and stability of political and legal systems vary throughout the globe. Firms enjoy a relatively stable political and legal system. The same is true in many of the other developed countries, particularly in Europe. However, in other nations, the political and legal systems are much more unstable. Some governments are subject to coups, dictatorial rule, and corruption, which can substantially alter the business environment as well as the legal environment. Legal systems can also become unstable, with contracts suddenly becoming unenforceable because of internal politics.

b. **Cultural Factors**—Cultural differences vary from country to country with corresponding differences in HR practices. HR practices must be adapted to local cultural norms, and, therefore, most HR staff members in a foreign subsidiary should be drawn from host-country nationals. However, just because certain cultural norms are restrictive does not mean that an attempt at change should not be made. Companies must bring in a critical mass of expatriates who carry the culture with them and always leave one or two behind to oversee locals and ensure that they are following corporate policies. The key is to accommodate local cultures but maintain the critical nature of the corporate culture.

c. **Economic Factors**—Differences in economic systems must also be thoroughly investigated. In a capitalist system, the overwhelming need for efficiency favors HR policies and practices that value productivity and efficiency. In a socialist system, HR practices favor the prevention of unemployment, often at the expense of productivity and efficiency, which is often unacceptable. The impact of economic factors on pending global operations must be fully understood and accounted for prior to developing HR policies and practices. Probably one of the greatest economic factors is the difference in labor costs.

d. **Labor/Management Relations Factors**—The relationship between workers, unions, and employers varies dramatically from country to country and obviously has an enormous impact on HR management practices.

VIII. The Challenges of Expatriate Assignments

One of the most challenging tasks for any firm operating internationally is to manage its expatriate work force effectively.

a. Why International Assignments End in Failure

The failure, expatriates is estimated to be in the 20 to 40 percent range. Six factors account for most failures.

1. Career blockage
2. Culture shock
3. Lack of pre-departure cross-cultural training
4. Overemphasis on technical qualifications
5. Getting rid of a troublesome employee
6. Family problems

Difficulties on Return

When the expatriates return home, they may experience additional problems, which include:

7. Lack of respect for acquired skills
8. Loss of status
9. Poor planning for return position
10. Reverse culture shock

Effectively Managing Expatriate Assignments with HRM Policies and Practices
Companies can minimize the chances of failure by putting in place a sensible set of HRM policies and practices that get to the root of the problems. Such policies and practices would pertain to selection, training, career development, and compensation. Adequate practices in these areas can be used to avoid problems.

Selection
The choice of an employee for an international assignment is a critical decision. To choose the best employee for the job, management should:
1. Emphasize cultural sensitivity as a selection criterion
2. Establish a selection board of expatriates
3. Require previous international experience
4. Explore the possibility of hiring foreign-born employees
5. Screen candidates' spouses and families

Training
The assumption that people everywhere respond in similar fashion to the same images, symbols, and slogans has hurt U.S. companies. Cross-cultural training sensitizes candidates for international assignment to the local culture, customs, language, tax laws, and government.

Career Development
The expatriate's motivation to perform well on an international assignment will depend to a large amount on the career development opportunities offered by the employer.

Compensation
Firms can use compensation packages to enhance the effectiveness of expatriate assignments. However, compensation policies can create conflict if locals compare their pay packages to the expatriate have and conclude that they are being treated unfairly.

Global Equal Employment Opportunity
Equal employment opportunity worldwide ranges from virtually none to a highly sophisticated system. Some countries have extensive EEO laws, and they are enforced vigorously. Other countries have similar laws that are not enforced, whereas others have no laws relating to EEO.

Eight Keys to Global Human Resource Management of Expatriates

Global HR management of expatriates can be made simpler and more manageable by following eight steps, which are general guidelines for developing an expatriate workforce.

- The global business plan must be completely understood to make it easier to determine how existing human resource policies can be adapted to accomplish global objectives.
- The company's Foreign Service policy should be a set of guidelines, not rigid rules, for relocating employees and their families around the world while maintaining the domestic corporate culture.
- Develop a global budget process so the overall cost of each expatriate global assignment can be estimated. Such costs represent enormous investments and should be carefully considered to determine if expatriates or host-country or third-country nationals should be used.
- Profile the candidate and his or her family to determine who might be an effective candidate for a global assignment. Often an entire family, not just an employee, must be considered in making the determination.
- The terms and conditions of the global assignment should be clearly stated up front. Expatriates should be given both a verbal and written presentation of the assignment's terms and conditions to ensure a complete understanding of both the benefits and responsibilities of the global assignment.
- Prepare expatriates and their families for relocation with departure orientation and training. Employees and their families should be given language training and cultural training, as well as a general orientation of everyday living and local customs.
- Develop and implement a continual development process to take advantage of the employee's global experiences, including career planning, as well as home-country development during the global assignment period.
- Prepare returning expatriates and their families with repatriation orientation training.

Maintaining Corporate Identity through Corporate Culture

Maintaining an effective corporate culture that reflects that of the home country is essential for continuity worldwide and often requires innovative insight. When a U.S. company hires too many local people in its foreign offices, it risks losing the unique set of values and operating procedures that defines its corporate culture.

Often a corporation forms an alliance with a company in the host country. In such situations, it is essential that the corporate cultures and management styles of the partners blend together as quickly as possible. Long-term success means having a corporate culture that supports the goals of the global organization and effectively deals with the international business environment. As a firm becomes more and more global in nature, it becomes more difficult to have a supportive corporate culture. Alliances are useful for all partners because collaboration makes it possible to share the costs and risks of doing business, and it enables companies to share financial resources, technology, production facilities, marketing expertise, and of course, human resources. However, problems may occur in international alliances when people from different organizations and national cultures work together. Regardless of whether an alliance exists, it is essential that the corporate culture focus on making a profit. Combining an effective corporate culture that keys on innovatively coping with the global environment and, at the same time, being profitable is what all global companies must strive for. Ideally, the corporate culture of global corporations will closely parallel that of the home country.

KEY TERMS

Ethnocentric Staffing	Companies primarily hire expatriates to staff higher-level foreign positions.
Polycentric Staffing	When more host-country nationals are used throughout the organization, from top to bottom.
Regiocentric Staffing	Similar to the polycentric approach, but regional groups of subsidiaries reflecting the organizations strategy and structure work as a unit.
Geocentric Staffing	A staffing approach that uses a worldwide integrated business strategy
Expatriate	An employee working in a firm who is not a citizen of the country in which the firm is located but is a citizen of the country in which the organization is headquartered.
Licensing	An arrangement whereby an organization grants a foreign firm the right to use intellectual properties such as patents, copyrights, manufacturing processes, or trade names for a specific period of time.
Multinational Corporation	A firm that is based in one country (the parent or home country) and produces goods or provides services in one or more foreign countries (host countries).
Global Corporation	Has corporate units that are integrated to operate as one organization worldwide in a number of countries.

LESSON 45

CONCLUSION & REVIEW

In today's lecture, we will be having overview of the entire course we have covered in previous modules and will consider the reasons of importance of HRM.

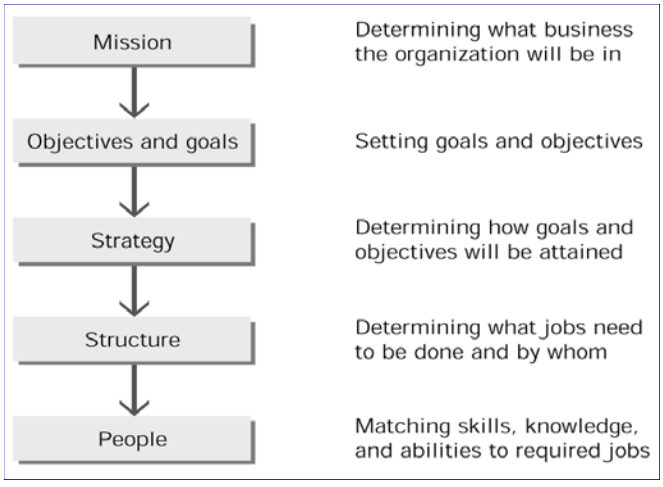
A. Human Resource Management

A managerial function tries to match an organization's needs to the skills and abilities of its employees. Attracting developing, motivating and retaining required talent and people in organization carries out this function. Workforce of the organization is also being utilized as a source of competitive advantage by acquiring financial or economic capabilities, product capabilities, technological or process capability, organizational capability.

B. Strategies for Gaining Competitive Advantage

Competitive advantage refers to a company's ability to maintain market share and profitability. Any competitive advantage enjoyed by an organization tends to be short-lived because other companies are likely to imitate it. This is as true for HR advantages as for technological and marketing advantages. For example, many high-tech firms have "borrowed" reward programs for key scientists and engineers from other successful high-tech firms. The challenge from an HR perspective is to develop strategies that offer the firm a sustained competitive advantage. For instance, a company may develop programs that maximize present employees' potential through carefully developed career ladders while at the same time rewarding them generously with company stock with strings attached (for example, a provision that they will forfeit the stock if they quit before a certain date).

a. **Cost leadership** A cost leadership strategy is a competitive strategy in which a company aims to become the low-cost leader in the industry by emphasizing the attainment of absolute cost advantages from any and all sources. Requires a balance between low costs and acceptable quality.
b. **Differentiation** A differentiation strategy is a competitive strategy in which a company seeks to be unique in its industry in a way that is valued by the customers. HR strategies that fit a differentiation strategy emphasize innovation, flexibility, and renewal of the work force by attracting new talent from other firms, opportunities for mavericks, and reinforcement (rather than discouragement) of creative flair. The specific HR strategies that are likely to benefit differentiators include the use of broad job classes, loose work planning, external recruitment at all levels, team-based learning, emphasis on what the individual can do (rather than on the job title held) as a basis for pay, and reliance on performance appraisal as a developmental (rather than a control) device.
c. **Focus Strategy**: A focus strategy is a competitive strategy in which a company selects a market segment and serves the customers in that particular market niche better or cheaper than its competitors. The *focus strategy* relies on both a low-cost position and differentiation, with the objective of serving a narrow target market better than other firms. The firm seeks to achieve differentiation either from better meeting the needs of the particular target, or from lowering costs in serving this target, or both. The HR strategies likely to fit the focus strategy best would be somewhere in the middle of those described for low-cost producers and differentiators.



C. The Strategic Management Process

Strategic planning is the process of identifying the business of the firm today and the business of the firm for the future, and then identifying the course of action it should pursue. Strategic planning includes the first five strategic management tasks: evaluating the situation, defining the business, developing the mission, translating the mission into goals, and then crafting a course of action. Strategic management includes the implementation phase. The strategic management process is the continuous process of identifying and pursuing the organization's mission by aligning internal capabilities with the external demands of the environment.

I. **Step 1: Define the Business and Its Mission:** The strategic management process begins with answering the question, in what business should we be? Defining a company's business involves identifying several things: product scope, vertical integration, geographic scope, how they compete. A vision is a general statement of the organizations desired direction that evokes emotional feelings in its members. A mission statement outlines the organization's future path and it communicates its purpose. Managers base their strategic plans on methodical analyses of their internal and external situations.
II. **Step 2: Translate the mission into strategic goals:** Top management's vision and mission are translated into operational strategic goals.
III. **Step 3: Formulate a strategy to achieve the strategic goals**: A strategy is a course of action that explains how the organization will move to achieve its strategic goals given its internal strengths and weaknesses and its external opportunities and threats. Implementation of the strategy means translating the plan strategy into actions and results, which requires drawing on the planning, organizing, leading, and controlling functions of management. Top companies craft strategies whose basic principles are easy to communicate.
IV. **Step 4: Structure:** Some HR strategies fit very well with highly formalized organizations that are divided into functional areas (for example, marketing, finance, production, and so on) and that concentrate decision making at the top. The HR strategies appropriate for this type of firm include a control emphasis, centralized pay decisions, explicit job descriptions, and job-based pay.
V. **Step 5: People:** People in organization mean to have workforce in organization to perform different functions. Different set of HR strategies, include informal hiring and socializing of new employees, decentralized pay decisions, broad job classes, and individual-based pay.

Managers must be alert to opportunities and threats that might require modifying or totally redoing their strategies. Strategic control is the assessing of progress towards strategic goals and taking corrective action as needed and keeping the strategy up-to-date.

D. Strategic Management Role:

Strategic management role is used to link the firm's HR policies and practices to the broader, longer-term needs of the firm and its stakeholders. Main responsibilities include Setting the direction Crafting corporate- and business-level plans developing and implementing functional plans measuring, evaluating, revising and refocusing, the fit between HR & business strategy

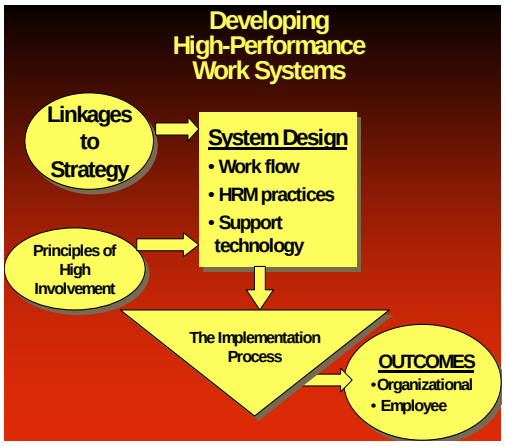
a. **Enabler and Consultant Role**: This role is used to enabling line managers to make things happen main responsibilities include, Training, assisting with problem diagnosis developing solutions with managers being accessible and attuned to employee needs and concerns

c. **Monitoring and Maintaining Role:** Continuous monitoring is required to have compliance with legal regulations and effectiveness of HR activities and this is ensured by the monitoring role by HR department. Main activities performed in this role include monitoring morale, providing support during change and uncertain times

d. **Innovator Role:** Improving productivity and quality of work life it includes: Adapting to an environment of uncertainty, energy conservation, and international competition, justifying the benefits and costs of programs**.**

e. **Change and Knowledge Facilitator Role:** This role is played in order to facilitate organizational change and to maintain the organizational flexibility. It includes focusing on the future, guiding the flow of knowledge, information and learning throughout the organization.

E. High-performance Work System (HPWS)



A specific combination of HR practices, work structures, and processes that maximizes employee knowledge, skill, commitment, and flexibility is called high performance work systems. This system is composed of many interrelated parts that complement one another to reach the goals of an organization, large or small. This system is based upon the principles of shared information, knowledge development, performance reward linkage and social equality. **High performance work system can bring many advantages to organization they mainly include:**

- **Employee Benefits**: High performance work systems are beneficent for employee in absence that they are provided with opportunity of more involvement in organization, experience growth and satisfaction specifically through organizational training and developmental policies and can become more contributors towards achievement of goals and mission of the organization.
- **Organizational Benefits:** Organization can improve and increase the productivity; it can ensure quality, flexibility in system in order to have more satisfied customers.

F. Selecting HR Strategies to Increase Firm Performance

No HR Strategy is "good" or "bad" in and of itself. The success of HR strategies depends on the situation or context in which they are used. In other words, an HR strategy's effect on firm performance is always dependent on how well it fits with some of the factors. *Fit* refers to the consistency or compatibility between HR strategies and other important aspects of the organization

a. Fit with Organizational Strategies

Organizational strategies may be examined at two levels: corporate and business.
Corporate strategy refers to the mix of businesses a corporation decides to hold and the flow of resources among those businesses. This involves decisions pertaining to acquisition, divestment, diversification, and growth. At one end of the spectrum is the evolutionary business strategy; at the other end is the steady-state strategy. ***Business unit strategies*** refer to those established by firms or autonomous units of the corporation. Well-known business strategies were formulated by Porter (overall cost leadership strategy, differentiation business strategy, and focus strategy) and Miles and Snow (defender strategy and prospector strategy).

b. Fit with the Environment

HR strategies should help the organization better exploit environmental opportunities or cope with the unique environmental forces that affect it. The environment can be examined on four dimensions, including (1) degree of uncertainty, (2) volatility, (3) magnitude, and (4) complexity.

c. Fit with Organizational Characteristics

To be effective, HR strategies must be tailored to the organization's personality. The features of an organization's personality are its (1) production process for converting inputs into output, (2) market posture, (3) overall managerial philosophy, (4) organizational structure, and (5) organizational culture.

d. Fit with Organizational Capabilities

An organization's capabilities are its distinct competencies. HR strategies make a greater contribution to a firm's performance (1) when they help to exploit the firm's specific advantages or strengths while avoiding its weaknesses, and (2) when they assist in better using its own unique blend of human resource skills and assets.

e. Choosing Consistent and Appropriate HR Tactics to Implement HR Strategies

Even the best-laid strategic HR plans may fail when specific HR programs are poorly chosen or implemented. A firm's HR strategies must be mutually consistent. That is, HR strategies are more likely to be effective if they reinforce one another rather than work at cross-purposes.

G. Expectations for HR Professionals

Today's dynamic environment places some expectations upon the HR professional to meet the changing environment and contingencies these expectations are enlisted as following:

- Understand problems assigned
- Stay competent and professional through study and research
- Maintain high standards of personal honesty and integrity
- Consider the personal interests, welfare, and dignity of all employees affected by recommendations and actions
- Ensure organizations maintain high regard for public interest and personal interests and dignity of employees

H. Current HRM Challenges

a. Managing Diversity

A diverse workforce refers to two or more groups, each of whose members are identifiable and distinguishable based on demographic or other characteristics like gender age group, education etc. Several barriers in dealing with diversity include stereotyping, prejudice, ethnocentrism, discrimination, tokenism, and gender-role. Managing diversity means planning and implementing organizational systems and practices to manage people so that the potential advantages of diversity are maximized while its potential disadvantages are minimized. Managers are striving for racial, ethnic, and sexual workplace balance as a matter of economic self-interest. A study found that cultural diversity contributes to improved productivity, return on equity, and market performance.

b. Managing Change

Many organizations face a volatile environment in which change is nearly constant. If they are to survive and prosper, they need to adapt to change quickly and effectively. Human resources are almost always at the heart of an effective response system.

c. Managing Globalization

One of the most dramatic challenges facing as they enter the twenty-first century is how to compete against foreign firms, both domestically and abroad. Many companies are already being compelled to think globally, something that doesn't come easily to firms long accustomed to doing business in a large and expanding domestic market with minimal foreign competition.

Weak response to international competition may be resulting in upwards layoffs in every year. Human resources can play a critical role in a business's ability to compete head-to-head with foreign producers. The implications of a global economy on human resource management are many. Some firms try to develop a global company identity to smooth over cultural differences between domestic employees and those in international operations. Minimizing these differences increases cooperation and can have a strong impact on the bottom line. Some firms actively engage in international alliances with foreign firms or acquire companies overseas to take advantage of global markets. Making such alliances work requires a highly trained and devoted staff. These illustrations show how firms can use HR strategies to gain a worldwide competitive advantage.

d. **Managing Teams**

Team building—activities aimed at improving the internal work and relationship processes of teams—requires attention to both task and interpersonal relationships. In team building, organizations apply the principles of group dynamics to select complementary members, support more cohesion, manage stages of group development, and establish constructive norms that foster high performance. Membership in teams is based on expertise in areas that are necessary for task accomplishment. Trust is the key to team members' commitment to a common goal, mutual accountability, and collaboration. Trust is built on six interdependent factors: the integrity of the members; open communication; mutual respect and support; fairness and equity; competence and hard work; and reward for cooperation. In addition, clear goals are a requirement for effective teamwork. Members of effective teams play eight different roles, all of which are necessary for a complete team and for synergy

I. Code of Ethics for HR Professionals:

Ethics related problems are faced by the organizations whenever there is a practice of using favoritism rather than ability or job performance for managerial decisions regarding employment, promotion, pay and discipline. These problems can be reduced and eliminated by maintaining the highest standards of professional and personal conduct, encouraging employers to make fair and equitable treatment of all employees a primary concern, maintaining loyalty to employers and pursue company objectives in ways consistent with the public interest, upholding all laws and regulations relating to employer activities, and maintaining the confidentiality of privileged information. People's expectations that their employers will behave ethically are increasing, so much that many firms and professional organizations have created codes of ethics outlining principles and standards of personal conduct for their members. These negative perceptions have worsened over the years. The widespread perceptions of unethical behavior may be attributed to the fact that managerial decisions are rarely clear-cut. Except in a few blatant cases (such as willful misrepresentation), what is ethical or unethical is open to debate. Even the most detailed codes of ethics are still general enough to allow much room for managerial discretion. In other words, many specific decisions related to the management of human resources are subject to judgment calls. Workplace Flexibility: collaborative work in a virtual office

J. How Can You Gain Support for "Best HR Practices?"

Managers can gain support for best HR practices by linking the use of HR practices to the solution of real business problems, and to achieving tangible business goals. This achievement of goals requires selection of well defined and specific, measurable and realistic goals and communicating the expected standard of performance to workers. Managers should demonstrate how the benefits outweigh the costs of using "best HR practices." Speak the language of business people, i.e., money, not correlation coefficients! Etc.

K. Future HR Trends:

- **Workplace Flexibility:** collaborative work in a virtual office as well as flexible work hours is one of future HR trends.
- **Global Business:** borderless business requires a global workforce to perform the function at international business level.
- **Work & Society:** working to live, not living to work
- **Workforce Development:** constant learning in a just-in-time format, learning organization & high skill utilization
- **Definition of Jobs:** jobs get bigger & broader
- **Strategic Role of HR:** becoming leaders, not just partners
- **The Value of Predicting:** having a vision & a way to achieve it.

Key issues of the organization are to achieve efficiency, effectiveness and competitiveness and this can be done by using not ignoring the Knowledge and experience are available. Because most of the time Best HR Practices are not used because of Resistance to change, Ignorance on the part of decision makers and Political considerations. By overcoming these three factors we can have more effectively managed organizations by using HR practices.

THE END