



Human Resource Management

**Management & Development
of Human Resources**

Human Resource Management

Block

III

MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES

UNIT 9

Managing Careers	1-37
-------------------------	-------------

UNIT 10

Performance Appraisal	38-77
------------------------------	--------------

UNIT 11

Employee Training and Management Development	78-123
---	---------------

UNIT 12

Compensation Management	124-174
--------------------------------	----------------

UNIT 13

Occupational Safety and Health	175-198
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COURSE INTRODUCTION

Human resources are the most valuable and unique assets of an organization. The successful management of an organization's human resources is an exciting, dynamic, and challenging task, especially at a time when the world has become a global village and economies are in a state of flux. The scarcity of talented resources and the growing expectations of the modern day employee have further increased the complexity of the human resource function.

Even though specific human resource functions/activities are the responsibility of the human resource department, the actual management of human resources is the responsibility of all the managers in an organization. It is therefore necessary that all managers understand and give due importance to the different human resource policies and activities in the organization.

Human Resource Management outlines the importance of managing human resources effectively in an organization. It examines the various human resource processes that are concerned with attracting, managing, motivating, and training employees for the benefit of the organization.

The course introduces students to the issues involved in the field of human resource management in a dynamic business environment. It enables students to learn how to leverage and manage human resources. The course will enable the students to understand the significance of smooth and successful employee relations in organizations. It also provides the students an understanding of the changing trends in human resource management.

BLOCK III: MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES

The third block in the course on Human Resource Management, deals with the management and development of human resources. The block contains five units. The first unit explains the ways to manage careers. The second unit discusses the concept of performance appraisal. The third unit examines employee training and management development. The fourth unit focuses on compensation management. The fifth unit highlights the importance of occupational safety and health at workplace.

Unit 9 is ***Managing Careers***. Employees today are actively taking charge of planning their career paths and developing the necessary skills they require to move from one job (and organization) to other. Managers, who realize this need of employees, are in a better position to take pre-emptive actions by having career conversations with these employees and consequently implementing career management programs for their benefits. Beginning with the concept of career and career anchors, this unit discusses the elements of a career planning program and the benefits of career planning to an organization and to an individual. The unit highlights the issues involved in career planning. It further elaborates the concept of career development cycle, career objectives, career path, model for planned self-development, and finally succession planning.

Unit 10 ***Performance Appraisal*** deals with the measurement and evaluation of performance of an employee in the organization. Generally, organizations conduct performance appraisals to assess and improve their employees' performance. This chapter deliberates on how to assess employee performance through various performance appraisal methods. It begins with the concept and objectives of performance appraisal, then moves towards the discussion on the components of appraisal process and the various types of appraisers. The various performance appraisal tools and the appraisal interviews are also highlighted in this unit. Finally, the pitfalls, uses, and ethics of performance appraisal are discussed.

Unit 11 is ***Employee Training and Management Development***. Technological advancements and globalization of business have made it crucial for organizations to concentrate and invest substantially on training their employees to meet global challenges. In addition, the ongoing trends of greater work force diversity, flatter organizations, and increased global competition have heightened the importance of training and development in helping the employees take up greater responsibilities. This chapter covers the features of effective training systems. It begins with the definition and purpose of training,

and then confers how to assess the training needs, and the areas of training. The advantages and disadvantages of different training and management development tools including how to evaluate a training and management development program are also discussed.

Unit 12 is ***Compensation Management***. Employees can actively receive excellent training, profuse development opportunities, and may remain completely satisfied with their work and environment, but they will not show up to work if company fails to implement a good compensation plan for them in return. Employees in an organization now consider fair compensation policies and the system of rewarding them, as key indicators of the management's outlook and concern toward them. This chapter starts with the concept and objectives of job evaluation. Then, there is a description of process, techniques, advantages, and limitations of job evaluation. It further covers the concept of compensation administration and the various types of wages. Finally, the basic wage plans, the executive compensation, concept of rewards, incentive plans, and employee benefits are discussed.

Unit 13 - ***Occupational Safety and Health*** in the organizations .Health and safety programmes in organizations are concerned with safeguarding employees and other public against the hazards arising from the employment in the factory or through the links to the company products and services. The aim of health and safety policies is to prevent accidents and curtail the subsequent loss and damage to people and property. This chapter presents an overview of the factors causing safety and health problems at the workplace. It highlights the provisions made by government and companies to prevent accidents at the workplace. Afterwards, descriptions are being given on various safety and health programs in organizations, the concept of stress and its consequences on employee performance. It also involves the discussions on health and safety challenges involved in the service sector.

Unit 9

Managing Careers

Structure

- 9.1. Introduction
- 9.2. Objectives
- 9.3. Concept of Career
- 9.4. Career Anchors
- 9.5. Elements of a Career Planning Program
- 9.6. The Benefits of Career Planning to an Organization
- 9.7. The Benefits of Career Planning to an Individual
- 9.8. Issues in Career Planning
- 9.9. Career Development Cycle
- 9.10. Career Objectives and the Career Path
- 9.11. Model for Planned Self-Development
- 9.12. Succession Planning
- 9.13. Summary
- 9.14. Glossary
- 9.15. Self-Assessment Test
- 9.16. Suggested Readings/Reference Material
- 9.17. Answers to Check Your Progress Questions

9.1. Introduction

In the last unit of the previous block, we have discussed socialization of employees. We have learnt that socialization is necessary for new employees as well as existing employees. In this unit, we will discuss ways to manage the careers of employees.

Organizations should give employees an opportunity to identify their competencies and aptitudes, and then provide them with the right opportunities. This will lead to the creation of a motivated and loyal workforce. Organizations should help their employees maximize their career motivation. There are three aspects of career motivation: resilience, insight, and identity. Career resilience is the degree to which employees can cope with the problems affecting their work. Career insight is the extent to which the employees are aware of their interests, skills, strengths, and weaknesses, and how these perceptions relate to

Block 3 : Management and Development of Human Resources

their career goals. Career identity is the extent to which employees define their personal values, in accordance with their work and the degree of alignment between the two.

This unit will discuss the concept of career and the career anchors. We shall then move on to discuss the elements of a career planning program, and the benefits of career planning to an organization and to an individual. We shall also discuss the issues involved in career planning. Finally, we will discuss career development cycle, career objectives, career path, model for planned self-development, and succession planning.

9.2. Objectives

By the end of this unit, students should be able to:

- Explain the concepts of career, career path, career goal, career planning, career management, and career development.
- Discuss the career anchors as proposed by Edgar Schein.
- Identify the elements of a career planning program.
- State the benefits of career planning to an organization and to an individual.
- Analyze the issues involved in career planning
- Recall the stages in the career development cycle, namely, exploration, establishment, maintenance, and disengagement.
- Define the career objectives and the career path.
- Assess the model for planned self-development.
- evaluate the elements involved in an effective succession planning.

9.3. Concept of Career

A *career* can be defined as a sequence of positions, roles, or jobs held by one person over a relatively long period of time. It can also be defined as a sequence of separate, but related or connected work/life activities that provide continuity, order, and meaning in a person's life. A *career path* can be defined as the sequential pattern of jobs that form a career. *Career goals* are the future positions that an individual strives to reach as part of a career. *Career planning* is the process, by which an individual selects career goals and the path to these goals.

Career planning could be individual, where an individual employee personally plans career goals or organizational, whereby the organization plans career goals for its employees. *Career management* can be defined as the process of designing and implementing goals, plans, and strategies, which help the HR professionals and managers to satisfy the needs of the

workforce and allow individuals to achieve their career objectives. Career development programs help in the achievement of career objectives.

Check Your Progress-1

1. Career motivation involves three aspects. Which of the following is **not** one of them?
 - a. Resilience
 - b. Insight
 - c. Values
 - d. Identity
2. Career _____ is the degree to which employees can cope with problems affecting their work.
 - a. Resilience
 - b. Insight
 - c. Values
 - d. Identity
3. Career _____ is the extent to which employees are aware of their interests, skills, strengths and weaknesses, and how these perceptions relate to their career goals.
 - a. Resilience
 - b. Insight
 - c. Values.
 - d. Identity
4. A/An _____ can be defined as a sequence of positions, roles or jobs held by one person over a relatively long time span.
 - a. Work
 - b. Profession
 - c. Occupation
 - d. Career
5. A career path is _____.
 - a. The future positions that an individual strives to reach as a part of a career
 - b. A sequential pattern of jobs that form a career
 - c. A sequence of positions, roles or jobs held by one person, over a relatively long time span
 - d. The extent to which employees are self aware

Block 3 : Management and Development of Human Resources

6. Career _____ are the future positions that an individual strives to reach as a part of a career.
 - a. Paths
 - b. Goals
 - c. Highlights
 - d. Peaks
7. Which of the following alternatives, most appropriately defines the term 'individual career planning'?
 - a. It is a sequential pattern of jobs that form a career.
 - b. It is defined as a sequence of positions, roles or jobs, held by one person over a relatively long time span.
 - c. It is the process, whereby an organization sets career goals for its employees.
 - d. It is the process, whereby each employee personally sets his career goals and the path to these goals.
8. The process of designing and implementing the goals, plans, and strategies that enable HR professionals and managers to satisfy workforce needs and allow individuals to achieve their career objectives is known as _____.
 - a. Career development
 - b. Career management
 - c. Career planning
 - d. Career designing

9.4. Career Anchors

Just as boats put down anchors to keep them from drifting too far, individuals put down anchors to stabilize their career choices. Career anchors are distinct patterns of self-perceived talents, attitudes, motives and values that guide and stabilize a person's career after several years of real world experience and feedback. According to Edgar Schein, career anchors are difficult to predict ahead of time because they are evolutionary and a result of a process of discovery. You are not very sure about them until you are confronted with a choice such as moving to other place or start your own business. For example, Ashok Soota, who after 20 years of life as CEO in Sriram Refrigeration, joined Wipro Infotech as President and spent the next 15 years building it. He quit the job in 1999 to set up a software start up Mindtree when Wipro chief Azim Premji asked him to move to America. It is usually at such a point that all the person's past work experience, interests, and orientations converge into a

discernible picture (or career anchor) that helps to show what is personally most valuable.

The basic attitudinal characteristics that guide people throughout their careers are called career anchors. According to Edgar Schein, there are eight career anchors. This is shown in Table 9.1.

Table 9.1: Career Anchors and their Characteristics

Career Anchors	Characteristics
Autonomy/ Independence	These individuals like to be self-reliant and do not like to be controlled by others. They desire to operate with freedom and have autonomy to take their own decisions.
Security/Stability	These individuals like to remain in the same kind of job and with the same employer, throughout their lives, since they want security and stability.
Technical/Functi onal Competence	These individuals have a strong inclination toward developing something, which they can call their own.
General Management	These individuals have a broader view of things, play the role of a facilitator, enjoy responsibility, and enjoy uncertainty. They have good planning, organizing, managing, and controlling skills.
Entrepreneurial Creativity	These individuals enjoy jobs, where they are at liberty to 'create' and are not confined by the organizational framework.
Service	These individuals take up jobs in not-for-profit service organizations, NGOs, special schools for the disabled, and hospitals for the underprivileged.
Pure Challenge	These individuals love to solve difficult problems and are attracted to challenges,, which do not follow a particular pattern or style.
Life Style	These individuals do not consider anything more important than just enjoying life and leading an expensive life style. They cannot sacrifice this inclination for the sake of career advancement.

Career anchors are not unique and are not able to describe the individual completely. Each employee might have a combination of two or more of career anchors, but have to choose the one that is most predominant. Such an analysis of the employee needs will enable the career planners to channel them appropriately.

Check Your Progress-2

9. The basic attitudinal characteristics that guide people throughout their careers are known as career _____.
 - a. Basics
 - b. Fundamentals
 - c. Anchors
 - d. Foundations
10. In managing their careers individuals with a/an _____ career anchor, exhibit a strong inclination to develop something, which they can call their own.
 - a. Entrepreneurial
 - b. Creativity
 - c. Functional competence
 - d. Independence
11. Career anchors are the basic attitudinal characteristics that guide people throughout their careers. This concept was developed by _____.
 - a. Alfred Binet
 - b. Edger Schein
 - c. Theodore Simon
 - d. T.G. Thrustone
12. Individuals who have _____ as a career anchor, desire to have freedom to operate, and autonomy to take their own decisions. Further they prefer to be self-reliant and do not like to be dominated.
 - a. Pure challenge
 - b. Entrepreneurial creativity
 - c. Independence
 - d. Functional competence
13. For people, who prefer to remain in the same kind of job and with the same employer for life, the dominant career anchor is likely to be _____.
 - a. Technical /functional competence
 - b. General management
 - c. Service
 - d. Security/stability

14. People with creativity as a career anchor are likely to enjoy jobs that _____.
- a. Are technical in nature and require a great deal of functional competence
 - b. Give them enough freedom to create and are not bound by the organizational framework
 - c. Are clearly defined in terms of quality, quantity and have little chance of flexibility
 - d. Require good planning, organizing, managing and controlling skills
15. In deciding on a career, an individual with _____ as a career anchor may take up jobs in non-profit service organizations, NGOs and hospitals for underprivileged.
- a. Pure challenge
 - b. Societal concept
 - c. Service
 - d. Stability
16. In connection with the eight career anchors put forward by Edger Schein, which of the following is **not** correct?
- a. People with service as a career anchor, almost always join the armed forces.
 - b. People with management as a career anchor, have good planning, organizing, managing and controlling skills.
 - c. People with pure challenge as a career anchor, love solving difficult problems. They are attracted to challenges that do not follow any pattern or style.
 - d. People with a technical/functional competence anchor, exhibit strong inclination to develop something, which they can call their own.

9.5. Elements of a Career Planning Program

The four distinct elements of career planning are: individual assessment and need analysis, organizational assessment and opportunity analysis, need-opportunity alignment, and career counseling. Exhibit 9.1 emphasizes the 5 activities that every career development program should have.

Exhibit 9.1: 5 Activities That Every Career Development Program Should Have.

Success of career development program depends on activities included in the program, 5 things that maketh an impactful career development program are:

1. **Goals:** Firstly, organization has to clearly chart out the program goals, and secondly it has to teach employees how to set their career goals.
2. **Assessments:** Cognitive ability testing can provide the company and employees with a baseline for career development conversations.
3. **Training and Development:** Career development program should focus on both technical and soft skills needed to discharge current duties and to meet the future needs.
4. **Variety of learning methods:** Career development programs can be run through conferences, webinars, blogs, podcasts, micro-learning, etc. companies have to choose them depending on their feasibility and suitability.
5. **Feedback Mechanism:** Regular feedback between the employer and employee help establish right expectations on both the parties to career development program. A one-on-one meeting ensure that the company and employee or on same page.

Source: <https://www.hrbartender.com/2019/recruiting/career-development-activities/>. May 11, 2019

9.5.1 Individual Assessment and Need Analysis

Many employees start their careers, without making a formal assessment of their abilities, interests, career needs, and goals. The phenomenon of people entering their jobs, occupations, and careers, paying little attention to career planning and then feeling disengaged is known as *career drift*. Financial needs, family background, inadequate knowledge, and improper guidance are some of the reasons that lead to career drift. It is therefore, the responsibility of the HR manager of the organization to help the employee in this decision-making process, by providing all possible information about the job, future prospects, the career path, and the employee himself/herself. Exhibit 9.2, gives a brief on how Infosys learning and development avenues.

Exhibit 9.2: Infosys Learning and Development Avenues

At Infosys, career growth and learning forms the core of the company's talent progression path. Company's 3 philosophies & 9 guiding principles to contribute to employees learning and development are:

1. Future Readiness: to make employees stay head of the skill curve, company adopts the following 3 guiding principles:
 - Master a digital skill: Infosys's online learning platform Lex help employees master new and emerging technology skills. Reskilled employees are rewarded and are given projects to apply those skills immediately.
 - Bag a skill tag: Reskilled employee wins a skill tag that gives him recognition for his specialization in new technology. They are paid incentives and high visibility and preference for internal job changes.
 - Dive deeper to specialize: Power programmes are conducted to train employees in niche technologies.
2. Agile Careers: The second philosophy aims at providing more opportunities to move employees who have learnt new skills to the right roles.
 - Chart your experience: After completion of 18 months in a project, Infosys facilitates the employee to move to a new project. Reskilling enables them to move to respective technologies.
 - Join the internal marketplace: internal job postings provide the avenue for lateral or vertical movements.
 - Make the shift: Bridge program by the company allows employee to train and intern in new areas of work. This helps them prepare to switch to a new career field.
3. Always on Learning: Infosys provides a robust digital ecosystem, complete with a remote-first approach. It provides employee technology with technology playgrounds to help practice what they learn while they learn it.
 - Transform your learning with AI: Personalized guidance tailored to employees' unique learning needs on their digital learning and career platforms
 - Learn anywhere, anytime: Employees are encouraged to upskill and reskill with learning that's convenient, relevant, bite-sized and fun, in addition to being accessible on the go
 - Skill up, Step up: Company gives specific recommendations for developing proficiency through experience, expertise and increase in knowledge, and guide the employees to steadily build their skills

Source: <https://www.infosys.com/careers/graduates/learning-development.html>,
Accessed on October 07, 2021

Block 3 : Management and Development of Human Resources

Workshops and assessment programs sponsored by the organization should be conducted in order to help employees. Workshops take up a number of career planning elements like self-assessment, communicating organizational opportunities, and one-to-one counseling to come up with realistic career goals. Assessment centers, evaluate employees based on their competencies and their abilities to perform in future positions. They use group discussions, role plays, interviews, an assortment of tests, and also alternate forms of simulation exercises. Assessment helps organizations determine the possible avenues for employee development and also aids employees in understanding their strengths and weaknesses so that they can set more realistic goals.

An organization should conduct a 'need analysis' for identifying the training and development exercises, which will help the individual meet his/her career plans, as well as the organizational objectives. The basic elements of need analysis are:

- Understanding the employee's career aspirations
- Determining the knowledge, skills, competencies, and attitudes of the employee
- Identifying the areas which require training inputs
- Communicating the results of the analysis.

Need analysis, defines the abilities an employee should acquire to move into a more responsible and critical position. It is a transparent system of communication that enables the employee to understand the requirements of the potential assignment and his/her own drawbacks.

9.5.2 Organizational Assessment and Opportunity Analysis

Before setting realistic goals, an individual employee needs information, about possible career options and opportunities available. Communicating this information to the employees in a transparent manner, helps them analyze the prospects, according to their competencies and in setting realistic goals. The organization has to set up a formalized system of communicating organizational opportunities in terms of job vacancies, promotion channels, transfers etc., to all the employees.

Career planning programs can be informal, with employees learning about career options and opportunities from supervisors and colleagues. Performance appraisal interviews also provide information about promotions and transfers. Organizations that have formal career planning programs make use of human resource planning, job analysis and design, and other such procedures, in order to identify and communicate career options and opportunities to its employees.

Career paths – the sequential pattern of jobs, chart the possible directions and paths of advancement in an organization. While the traditional paths tend to be limited to advancements within a single function or organizational unit like

purchasing or sales, the behavioral career path allows the employee to switch jobs and occupations.

9.5.3 Need Opportunity Alignment

The next step after the employees have accurately assessed their career needs and become aware of organizational career opportunities, is alignment. The organization, particularly the HR function, plays a crucial role in helping the employee make this alignment. The organization, too, has to make its own alignments, so as to match the employee aspirations, with that of organizational opportunities. This has to be carried out in such a manner as to optimize resource utilization and ensure employee satisfaction. A human resources information system (HRIS) will help the organization in this process.

Information on the positions available in the organization will help the employees analyze their prospects and plan their career path in the organization. Employees should also be informed about their future prospects in the organization, especially if the job involves a high degree of specialization and limited growth in terms of promotions. This information sharing will build employee acceptability and trust and will result in the optimum utilization of resources.

9.5.4 Career Counseling

Counseling is the final and most important step of a career planning program. The supervisor, along with the HR department, has to counsel the employee regarding the available opportunities, the employee's aspirations, and his/her competencies. In counseling sessions, employees normally seek answers to questions pertaining to:

- Their skills and the possibility of developing them or learning new ones
- Their actual needs, as far as the work is concerned
- Future prospects, if they pursue their career objective
- The opportunities available, given their present abilities and skills
- The requirements of the jobs they are aspiring for
- The type of training required by them to pursue a certain career objective
- The reason behind why they seek a career, what they benefit from it, and whether they can do without it.

It is the organization's responsibility to provide the answers and in certain cases, to help the employee find his/her own answers. After obtaining answers to these questions, the employee will be equipped to pursue his/her career objectives.

Check Your Progress-3

17. There are certain distinct elements of career planning. These include _____.
- i. Career polarization
 - ii. Organizational assessment and opportunity analysis
 - iii. Need opportunity alignment
 - iv. Individual assessment and need analysis
- a. i, ii, iii
 - b. i, iii, iv
 - c. i, ii, iv
 - d. i, ii, iii, iv
18. An individual may land up in the wrong career for a variety of reasons. These reasons can be
- i. Financial need
 - ii. Improper guidance
 - iii. Extreme functional competence
 - iv. Inadequate knowledge
- a. i, iii, iv
 - b. ii, iii, iv
 - c. i, ii, iv
 - d. i, ii, iii
19. Identify the alternative that lists the steps in the career planning program in the correct sequence.
- a. Individual assessment and need analysis – organizational assessment and opportunity analysis – need opportunity alignment – career counseling
 - b. Organizational assessment and opportunity analysis – career counseling – need opportunity alignment – individual assessment and need analysis
 - c. Individual assessment and need analysis – need opportunity alignment – organizational assessment and opportunity analysis – career counseling
 - d. Career counseling – organizational assessment and opportunity analysis – need opportunity alignment – individual assessment and need analysis

20. The function of assessment centers is to _____.
a. Evaluate the jobs available
b. Evaluate employees based on their competencies
c. Evaluate the job performance of employees
d. Evaluation the financial status of employees
21. In career planning, _____ is carried out to identify the training and development exercises that will help the individual to meet his career plans as well as organizational objectives.
a. Career counseling
b. Need analysis
c. Organizational assessment
d. Opportunity analysis
22. Which of the following **is not** one of the basic elements of need analysis?
a. Understanding the career aspirations of the employee
b. Ensuring that the results of the analysis are not communicated to the employee
c. Identifying the areas that need training inputs
d. Determining the employee's knowledge, skills, competencies and attitudes
23. Vijay joined Infotech Services Ltd. as a software programmer. It took four years for him to be promoted to the position of a team leader. His manager realized that his potential lay elsewhere and informed him of an opening in the marketing department. In less than three years, Vijay became the Regional Manager (Marketing). What kind of path did Vijay's career follow at the company?
a. Traditional
b. Informal
c. Realistic
d. Behavioral

9.6. The Benefits of Career Planning to an Organization

Well-planned and well-executed career planning programs are beneficial to the employees as well as to the organization. A well-designed career planning exercise and career development program provide the following benefits to the organization.

Block 3 : Management and Development of Human Resources

9.6.1 Ensure Availability of Resources for Future

Human resource planning determines the changing resource requirements of an organization, while career development helps in meeting those requirements. In order to optimize usage of resources, it is important to align the individual aspirations with the organizational needs.

9.6.2 Enhance Organizational Ability to Attract and Retain Talent

An organization that shows concern for the future of its employees, by providing them with the best opportunities, can attract as well as retain talented employees. Employees, these days, seek jobs that are compatible with personal and family interests and commitments. Career development results in lowering employee turnover, as it involves matching the individual aspirations with organizational needs.

9.6.3 Ensure Growth Opportunities for All

A comprehensive planning exercise undertaken by the organization ensures growth opportunities for all the employees. Career planning helps in maintaining the percentage of employees of different categories at each level in the organization.

9.6.4 Handle Employee Frustration

The workforce in today's market scenario has become more knowledgeable, has greater expectations, and wants more responsibility and greater challenges. A good career development program can help in handling employee expectations, thus reducing their frustration levels. Career counseling, an integral part of career management, helps employees set more realistic and achievable goals for themselves.

9.7. The Benefits of Career Planning to an Individual

There are several benefits that individuals derive from career planning:

- It helps the employees understand their own strengths and weaknesses with respect to their objectives.
- It helps the employees have a better knowledge of the career opportunities available to them.
- It enables the employees to choose a career that suits their lifestyle, preferences, self-development plans, family environment, etc.
- It helps them plan their careers with a long-term perspective.
- It provides employees with the opportunity to change their career plans, according to their changing needs or the changing environment.
- If the employees are successful in achieving their career objectives, it gives them a sense of satisfaction and achievement that motivates them further.

Check Your Progress-4

24. In a competitive market environment, talented employees are valuable assets. These employees in turn, are trying to make the best of their career opportunities. Given such a situation, how does career planning benefit an organization?
- It improves the organization's ability to attract and retain talent.
 - It ensures availability of resources for the future.
 - It helps reduce employee frustration and consequently, employee turnover.
 - All of the above
25. As far as an individual employee is concerned, career planning is beneficial because _____.
- It helps him to understand his own strengths and weaknesses vis-à-vis his objectives.
 - It helps him to have a better knowledge of the career options available to him.
 - It helps him plan his career with a long-term perspective.
 - It helps him choose a career that suits his preferences, family environment, etc.
- Only i, ii, iii
 - Only ii, iii, iv
 - Only i, iii, iv
 - i, ii, iii, iv

9.8.Issues in Career Planning

Employees and organizations face certain challenges in career planning. These are:

9.8.1 Dual Career Families

With the careers of both the husband and wife becoming equally important, organizations employing people, whose spouses are also working have to deal with the implications of dual-career planning. This is all the more important, if both the husband and wife are employed in the same organization.

Block 3 : Management and Development of Human Resources

9.8.2 Low Ceiling Careers

There are some highly specialized jobs, which have little scope for career advancement. Despite having career plans in such jobs, it is difficult for employees to get promotions.

9.8.3 Declining Opportunities

Technological and economic changes reduce the career opportunities for certain jobs or categories. A career shift is probably the only viable option in such situations.

9.8.4 Career Stages

As employees pass through different career stages, their career needs also change from one stage to another. In such a situation, the career plan of the employee also keeps changing with a change in his/her personal needs.

9.8.5 Restructuring

The demands of a fast changing economy are compelling organizations to restructure and reorganize themselves. The concepts of lean and mean organizations and flat structures have compelled employees to revamp their career plans. Organizations have to respond appropriately to the changed scenario.

9.8.6 Career Plateaus

When employees feel that there is nothing else left to achieve, they reach a plateau in their career. The reasons which lead to a career plateau are lack of motivation, high stress levels, personal problems, lack of required knowledge and skill set, lack of opportunities, or a slow moving business. These challenges should be taken care of, in order to avoid a plateau and place the career of the employees on a growth path. An employee feels that he/she is in career plateau, he/she should pose the questions to himself/herself like (i) Do I accept high visibility assignments? (ii) Do I continue to advance my education, both formal and vocational? (iii) Am I recognized by other leaders in my organization? (iv) Am I routinely promoted? (v) Am I known as a versatile employee? (vi) Do I continue to get larger than normal raises? (vii) Do I rate at high end of the performance ratings? (viii) Do I have a plan with measurable objectives, and have I updated it recently?

9.8.7 Work-family Issues

Elderly parents, school-going kids, a sick relative or family member are some of the constraints that many employees face. These issues sometimes lead to a plateaued career.

Activity: A new HR manager has been appointed at Full Flavors Coffee, Tea, and Snacks, which is an international café chain. He felt that a well-planned and well-executed career planning program would be beneficial to the employees, as well as to the organization. In placing his proposal before the company's management, what are the points of benefits that he may put forward? What do you think are the challenges that the organization may face in this regard?

Answer:

9.9. Career Development Cycle

The process by which employees progress through a series of stages, each characterized by a different set of developmental tasks, activities, and relationships is known as career development. There are different career development or career management models, based on different factors. Some of them are:

- **Life-cycle model:** This model is based on the different stages that an individual goes through in his/her career. The employee undertakes different developmental tasks at these different stages.
- **Organizational-based model:** According to this model, careers progress through different stages and a different set of activities is attached to each stage.
- **Direction-pattern model:** This model deals with different perspectives of employees, regarding their careers and their plans to progress. For instance, if an employee decides to continue in the same job or occupation for life, it is called a linear approach. Similarly, if he/she considers shifting job areas/functions/ occupations for several reasons, it is called a spiral approach.

There are four stages in the career development cycle, namely exploration, establishment, maintenance, and disengagement. All these career stages have different sets of tasks, activities, and relationships attached to them. These stages are determined based on the number of years the employee has spent in his/her

Block 3 : Management and Development of Human Resources

career and the age of the employee. Apart from these, other factors that influence career stages are major technological changes, employee needs, stage of the industry in the growth cycle, etc.

9.9.1 Exploration Stage

Individuals, at this stage, try to find out their likes and dislikes and discover their inclination for different kinds of work. They start pursuing the required education or training based on their own analysis. The exploration stage starts during the mid-teens or early twenties and continues when the individual takes up a new job and starts his/her career. Usually, the new employee tries to align the job with his/her own aspirations/aptitude. He/she is prepared to take on new tasks and roles in the organization with the guidance of his/her colleagues at the time of induction and orientation. Induction, orientation, and socialization will help in making the new employee comfortable with the new job and his/her colleagues. This will, in turn, help in the organization's goals being achieved.

9.9.2 Establishment Stage

The employee at this stage has identified his/her job, is satisfied with it, and tries to settle down. The employee looks for more responsibility and growth in this stage. The company has to develop such policies, which will support the employee in balancing work and non-work roles. The employee should also actively involve himself/herself in career planning activities.

9.9.3 Maintenance Stage

The employee at this stage, tries to maintain a reputation and likes others to perceive him/her as a major contributor to the organization. By this time, the employee has gained enough job experience and good knowledge and understanding of the way the organization carries out its business and how the economy affects the business. He/she tries to update his/her knowledge and skills, and is involved in the review and development of the organizational policies or goals. Organizations should make sure that the skills of these employees do not become outdated. This they can do by providing continuous training and development. The organization should also try to gain optimal returns?, from the experience and expertise of these employees. The employee at this stage can be a good trainer of or mentor for new employees.

9.9.4 Disengagement Stage

During this phase, the individual equips himself/herself for a change, to balance work and non-work activities. For an old employee, disengagement is normally retirement and pursuit of his/her hobbies, social work, etc. However, some employees might still be interested in working as consultants, part-time workers, etc. Employees can choose to change career tracks or occupations, irrespective of their age or the number of years in service. Sometimes, they may

decide to quit as they want to spend time with their families or in pursuing their hobbies.

Check Your Progress-5

26. There are several factors that pose challenges in career planning. _____ is **not** one such factor.
- Dual career families
 - Organizational Restructuring
 - Training opportunities
 - Work – family issues
27. _____ is the process by which employees' progress through a series of stages, each characterized by a different set of developmental tasks, activities, and relationships.
- Career development
 - Career path
 - Career drift
 - Career plateau
28. There are different career development or career management models, based on different factors. Which of the following options is **not** a career development model?
- The life-cycle model
 - The organizational-based model
 - The direction-pattern model
 - The job characteristics model
29. The _____ model of career development is based on the 'different perspectives of employees about their careers and their plans to progress'.
- Life cycle
 - Organization-based
 - Direction-pattern
 - Career stage
30. Individuals try to identify their likes and dislikes, and also try to discover their inclination towards different kinds of work during the _____ stage of the career development cycle.
- Establishment
 - Disengagement

Block 3 : Management and Development of Human Resources

- c. Exploration
 - d. Maintenance
31. Which of the following alternatives forms the basis of the life cycle model of career development?
- a. The perspective of employees about their career and how they intend to grow
 - b. The different stages that an individual grows through in his career
 - c. Different activities attached to each stage of the career
 - d. The different stages in the organization's life cycle
32. Individuals at the _____ stage of career development cycle have enough job experience to have good knowledge and sound understanding of how the organization conducts its business and how the economy affects the business. At this stage, an employee can be good trainer or mentor for new employees.
- a. Exploration
 - b. Establishment
 - c. Maintenance
 - d. Disengagement

9.10. Career Objectives and the Career Path

The career path of an employee undergoes changes to achieve the intermediate and final career objectives. Some of these changes are internal like transfers, promotions, etc., while some are external like a change in the organization or occupation.

9.10.1 Promotion

Promotion refers to the reassignment of an employee to a higher level job. Promotions can be of the following types:

- ***Merit-based promotions:*** These are awarded to employees, who have consistently performed excellently.
- ***Seniority-based promotions:*** These are awarded to employees, who have been loyal to the organization for many years and have served at a particular level for a specified period. These promotions are given irrespective of performance or contribution of the employee.
- ***Merit-cum-seniority promotions:*** These are awarded by organizations, which wish to reward both performance and loyalty. The organization

attaches weights to merit and seniority, and awards scores to the employees. The one with the highest score is selected for promotion from that level.

Promotions may also be classified into:

- ***Time-bound promotions***: Employees get promoted at a particular level, after a fixed tenure. These are similar to seniority-based promotions.
- ***Vacancy-based promotions***: Employees at the same level are judged on the basis of their performance and service, and the best among them is promoted to a vacant position at the next level. These are similar to merit-cum-seniority promotions.

Promotions help organizations to make greater use of employee abilities and manage the natural flow of manpower. They are sometimes used as a means of encouraging good performance or long service.

9.10.2 Transfer

A transfer involves horizontal movement from one job to another at the same level of the organizational hierarchy. It involves reassigning of an employee to a job with similar pay, status, duties, and responsibilities, but in a different place or unit.

Transfers can be due to two reasons – employee needs and organizational needs.

An employee may be dissatisfied with his/her job due to several reasons like ill feelings toward the superior, conflicts with colleagues, or the sense of being in a dead-end job with no scope of advancement. A transfer provides an opportunity to the employee to find a better place within the organization. If there is an employee-job mismatch, a transfer can rectify the mistake and place the employee in a more suitable job.

Employee turnover, promotions, demotions, and terminations in organizations create job vacancies, which could be filled up through transfers. With more and more organizations opting for flat structures, the focus is now shifting to providing lateral transfers to employees. Such transfers enhance the career opportunities of the employees and lead to employee development. Sometimes, promotions may also necessitate transfers.

There are three types of transfers:

- ***Employee initiated transfers***: Also called personal transfers, these are undertaken to match employee needs.
- ***Company initiated transfers***: These are undertaken to meet the company's changing demands and requirements.
- ***Public initiated transfers***: These are usually undertaken by the government/politicians for reasons like disciplinary action or special assignments.

Check Your Progress-6

33. In most government colleges and universities, the faculty members with requisite qualifications are promoted from the position of lecturer to assistant professor after a certain number of years of service. This is an example of _____.
- Vacancy based promotion
 - Time bound promotion
 - Merit based promotion
 - Merit-cum –seniority promotion
34. In _____ promotion, when a vacancy arises for a position, employees at the next lower level are assessed based on their performance and service, and the best performer is promoted to the vacant position.
- Seniority based
 - Merit based
 - Time bound
 - Vacancy-based
35. _____ is the horizontal movement of an employee from one job to another job at the same level in the organizational hierarchy.
- Promotion
 - Career development
 - Transfer
 - Vacancy-based promotion
36. Which of the following alternatives might lead to job-vacancies in an organization?
- Employee turnover
 - Promotions
 - Recruitment
 - Demotions and terminations
- i, ii, iii
 - i, iii, iv
 - i, ii, iv
 - i, ii, iii, iv

37. Match the different types of transfers, with their respective characteristics.
- i. Employee initiated transfers
 - ii. Company initiated transfers
 - iii. Public initiated transfers
 - p. Based on requests of groups of people from outside the organization
 - q. Based on requests from employees
 - r. Based on the requirements of the organization
 - a. i/r, ii/q, iii/p
 - b. i/q, ii/r, iii/p
 - c. i/q, ii/p, iii/r
 - d. i/p, ii/r, iii/q
-

9.11. Model for Planned Self-Development

The model for planned self-development for an individual, consists of six different stages. These stages are: self-assessment, opportunity analysis, decision making, leverage network, venture, and continuous assessment.

9.11.1 Self Assessment

It is the individual's assessment of himself/herself to understand his/her own personality, values, knowledge, skills, and interests. The individual should also take into account his/her learning ability and the ability to be a self-starter, while evaluating his/her capabilities. This will help in analyzing his/her strengths, weaknesses, competencies, and aspirations.

9.11.2 Opportunity Analysis

In this step, the individual has to find out the available opportunities, select the ones that go with his/her assessment of self, find out the specifications of each job, and analyze work-related trends. The individual should have an overview of the available alternatives and the recent trends in the job market/business, in order to conduct an analysis of his/her chances of making a career in each field.

9.11.3 Decision Making

At this stage, the individual has to set objectives in his/her career, personal life, community service, and lifelong learning. This step is characterized by making decisions, setting goals for self, and writing a career action plan.

Block 3 : Management and Development of Human Resources

9.11.4 Leverage Network

The individual at this stage has to try to make the best use of the available opportunities. The individual has to leverage upon the network of contacts, to gain information and access to the right people, who can help him/her get the desired job.

9.11.5 Venture

At this stage, the individual should make an assessment of the offers made to him/her to start a career and venture into the job/area that suits him/her best. The individual should be open to new ideas and concepts, and should continuously strive to learn from experiences at work.

9.11.6 Continuous Assessment

Once the individual enters a new job and settles down, he/she has to start assessing the job and its benefits in relation to his/her aspirations and goals. He/she should also make a continuous assessment of the changing trends and opportunities so as to make the best use of the opportunities available.

9.12. Succession Planning

In an organization, succession planning helps in identifying specific individuals for filling up future vacancies in key positions. An organizational replacement chart, which forms the basis for the succession planning process, gives an overview of the present incumbents and the prospective replacements. The elements of an effective succession planning are:

9.12.1 Continuity

Succession planning should not be an annual event. It should be a regular and continuous process. This can be achieved only if the organization carries out a continuous communication process. Every manager should try to develop at least one candidate as a potential replacement.

9.12.2 Long-Term Perspective

In an organization, a ready pool of talent should be available, so as to provide resources for immediate replacement. Employees should be developed in general to ensure ready availability, as and when the need arises.

9.12.3 Organizational Need Perspective

The organization should develop a culture, where the employees will be ready to accept external recruitment for key positions, in case there is an absence of internal talent. Recruitment of external talent in such situations should be accepted as a natural and justified decision by the employees.

9.12.4 Turnover Management

Appropriate action plans to generate turnover have to be developed, so as to ensure a free flow of manpower, across the entire organization.

9.12.5 Emphasis on Results

Measurements have to be developed for evaluating succession results. These measurements may include factors like the percentage of key jobs, which have at least two ready successors, the percentage of key posts filled externally, the percentage of developmental action plans implemented, or the extent to which the process contributes positively to business results.

The following exhibit 9.3 explains how a company should go with a succession plan.

Exhibit 9.3: Finding Successor to Mark

Mark is the Chairman of a family run textile business, who has the love and respect of his family, clients and employees. The old trooper has been the owner and manager of the business for 50 years, but was recently diagnosed with a rapidly progressing case of Alzheimer's disease. Now he is unable to manage the business.

He has three sons, who have no interest in the family business and a nephew (Jake) who is very knowledgeable about the industry but not groomed to make up for Mark's absence. In such a situation, the questions that can arise:

- Picking a successor is a long drawn process. In the interim, what if a wrong decision is taken, on behalf of Mark, regarding an important deal? What if the financial and perceptual impact on the business?
- What if stakeholders (employees, dealers and government officials) are just not able to accept someone new, and fairly a stranger, in Mark's place?
- Since Mark is getting forgetful, who has enough company know-how and seniority to decide on the successor?
- Also, shouldn't the successor of a flourishing business have time to learn under the guidance of the chairman before taking on such a huge responsibility?

To prevent such issues from developing, the company should outline a succession plan that is:

- *Able to deliver the ideal candidate for the role:* By looking for the best match between the requirements of Mark's role and the existing list of candidates

Contd.

Block 3 : Management and Development of Human Resources

- *Attainable:* By setting a realistic timetable and measurable milestones along the way and sticking to them.
- *Planned in advance:* By beginning long before Mark is no longer able to run the organization, so that his insights can be passed on to his successor
- *Inclusive of relevant training for the successor.*

According to the U.S. Office of Personnel Management, there are 6 steps to efficient succession planning:

Step 1: Link Strategic and Workforce Planning Decisions

Here the senior leaders identify the long-term vision and direction for the company and its workforce.

Mark and his close advisers need to decide where the company is headed – if the current organizational structure needs a revamp, if it needs to adopt a new hiring strategy during the economic crisis etc.

Step 2: Analyze Gaps

Once the senior leaders identify core competencies and technical competency requirements, they need to understand what the current employee hiring frequency is like and if there will be any dearth of quality applicants in the future. This is followed by developing a business plan based on the long term leadership talent needs.

Mark needs to understand the experience levels and industry know-how that will be required to replace him and other senior leaders in his business. Then he can chalk out a business plan outlining the number of people who will need to be trained or hired to take up leadership roles in the long term.

Step 3: Identify Talent Pools

This step involves assessing competency and skill levels of current workforce, analyzing external sources of talent and identifying talent with critical competencies, early on in their careers.

Mark needs to identify senior management and other staff members who would, for their specialized skills or level of experience, be hard to replace. He also should identify those in the existing and external talent pool who can be trained to fill these positions.

Step 4: Develop Succession Strategies

There is a need then to develop recruitment, retention and development strategies for the future leaders.

Mark needs to find out what incentives will help in recruiting talented leaders – is it recruitment and relocation bonuses or certain special programs?

Contd.

He then needs to figure out how to retain these extraordinary resources, whether it is through retention bonuses or programs to improve work-life balance.

Finally he needs to evaluate the right development/learning strategies to keep the employees growing in skill towards their new role through a mix of planned job assignments, coaching, mentoring and shadowing; and assessment and feedback.

Step 5: Implement Succession Strategies

Implement the recruitment, retention and development/learning strategies. Then plan on communicating these strategies to the employees and determining the most relevant measures of success.

Mark needs to sign-off and allow for the implementation of the succession activities. This includes communicating to Jake, his nephew, the future planned for him at the company and having him shadow Mark until he is ready to take over.

Step 6: Monitor and Evaluate

Senior management needs to track how successful the hires have been from external talent pools and internal hires. Also one can analyse satisfaction surveys from customers, employees, and stakeholders.

Mark and his posse of advisers need to monitor Jake's progress, in skill acquisition, towards become the next chairman of the textile business. If he is seen to be falling short of meeting his targets corrective measures need to be taken.

Source: <https://empxtrack.com/blog/know-who-is-next-in-line-to-the-leadership-throne-succession-planning/>

Activity: Khaled India Limited (KIL) is a textile manufacturing company, which earns a major portion of its revenue from exports. There was an urgent need to fill up the post of Marketing Manager (Strategies) for the European market. Due to a dearth in internal talent, the company decided to hire an appropriate person from external sources. Which perspective in succession planning, if present among the employees and management in the company, will aid such a decision? Enumerate and explain the other elements that successful succession planning should incorporate.

Contd...

Block 3 : Management and Development of Human Resources

Answer:

Check Your Progress-7

38. Succession planning in an organization helps identify specific individuals to fill future vacancies in key positions. To be effective, it must incorporate several elements. Which of the following is **definitely not** an element in effective succession planning?
- Continuity
 - Turnover management.
 - Environmental assessment
 - Organizational need perspective
39. A/An _____ gives an overview of the present incumbents and the prospective replacements, and forms the basis for the process of succession planning.
- Planned self development model
 - Human resource information system
 - Career development cycle
 - Organizational replacement chart

9.13. Summary

- A career is a sequence of positions, roles, or jobs held by one person, over a relatively long period of time.
- Edgar Schein developed eight career anchors which are the basic attitudinal characteristics that guide people throughout their careers. These are autonomy/independence, security/stability, technical/functional competence, general management, entrepreneurial creativity, service, pure challenge, and life style.

- There are four distinct elements of a career planning program, namely individual assessment and need analysis, organizational assessment and opportunity analysis, need-opportunity alignment, and career counseling.
- A comprehensive, well-designed, and well-implemented career development program will benefit both the organization and its employees.
- Some of the issues, which may act as hindrances to successful career planning pertain to dual career families, low ceiling careers, declining opportunities, career stages, restructuring, career plateaus, and work-family issues.
- The career development cycle comprises four stages, namely the exploration stage, the establishment stage, the maintenance stage, and the disengagement stage.
- The career path of an employee goes through many changes to achieve the intermediate and final career objectives. These changes can be internal like transfers, promotions, etc., or external like a change in the organization or occupation.
- The model for planned self-development for an individual consists of six different stages, namely self-assessment, opportunity analysis, decision making, leveraging network, venturing, and continuous assessment.
- In an organization, succession planning helps in identifying specific individuals for filling up future vacancies in key positions.

9.14. Glossary

- **Career anchors:** Basic attitudinal characteristics that guide people throughout their careers are called career anchors.
- **Career goals:** Future positions that an individual strives to reach, as part of a career.
- **Career management:** The process of designing and implementing goals, plans, and strategies, which help the HR professionals and managers to satisfy the needs of the workforce and allow individuals to achieve their career objectives.
- **Career path:** The sequential pattern of jobs that form a career.
- **Career planning:** The process by which an individual selects career goals and the path to these goals. Career planning could be individual, where an individual employee personally plans career goals or organizational, whereby the organization plans career goals for its employees.
- **Career:** A sequence of positions, roles, or jobs held by one person, over a relatively long period of time. It can also be defined as a sequence of

Block 3 : Management and Development of Human Resources

separate, but related or connected work/life activities that provide continuity, order, and meaning in a person's life.

- **Company initiated transfers:** These are undertaken to meet the company's changing demands and requirements.
- **Direction-pattern model (career development/management model):** This model deals with different perspectives of employees regarding their careers and their plans to progress. If an employee decides to continue in the same job or occupation for life, it is called a linear approach. If he/she considers shifting job areas/functions/occupations for several reasons, it is called a spiral approach.
- **Employee initiated (or personal) transfers:** These are undertaken to match employee needs.
- **Life-cycle model (career development/management model):** This model is based on the different stages that an individual goes through in his/her career. The employee undertakes different developmental tasks, at these different stages.
- **Merit-based promotions:** These are awarded to employees, who have consistently performed excellently.
- **Merit-cum-seniority promotions:** These are awarded by organizations, which wish to reward both performance and loyalty. The organization attaches weights to merit and seniority, and awards scores to the employees. The one with the highest score is selected for promotion from that level.
- **Organizational-based model (career development/management model):** According to this model, careers progress through different stages and a different set of activities is attached to each stage.
- **Promotion:** The reassignment of an employee to a higher level job.
- **Public initiated transfers:** These are usually undertaken by the government/politicians for reasons like disciplinary action or special assignments.
- **Seniority-based promotions:** These are awarded to employees, who have been loyal to the organization for many years and have served at a particular level for a specified period. These promotions are given irrespective of performance or contribution of the employee.
- **Succession planning:** It helps in identifying specific individuals for filling up future vacancies in key positions.
- **Time-bound promotions:** Employees get promoted at a particular level, after a fixed tenure.

- **Transfer:** A transfer involves horizontal movement from one job to another at the same level of the organizational hierarchy. It involves reassigning of an employee to a job with similar pay, status, duties, and responsibilities, but in a different place or unit.
- **Vacancy-based promotions:** Employees at the same level are judged on the basis of their performance and service, and the best among them is promoted to a vacant position at the next level.

9.15. Self-Assessment Test

1. Career planning is the process by which an individual selects career goals and the path to these goals. Explain the concept of career and importance of career planning. Also, discuss the four elements of a career planning program.
2. Well-planned and well-executed career planning programs are beneficial to both the employees and the organization. Explain.
3. Explain the issues which may pose a challenge to successful career planning.
4. Career development is the process through which employees' progress through a series of stages, each characterized by a different set of developmental tasks, activities, and relationships. What are the different career development models? Describe the four stages of a career development cycle.
5. The model for planned self-development of an individual consists of six different stages. Give a brief explanation of these stages.
6. Briefly explain the following:
 - Career anchors
 - Promotion and transfer
 - Succession planning.

9.16. Suggested Readings / Reference Material

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Block 3 : Management and Development of Human Resources

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9.17. Answers to Check Your Progress Questions

Following are the answers to the Check Your Progress questions given in the Unit.

1. (c) Values

Organizations need to help employees maximize their career motivation. Career motivation involves three aspects: resilience, insight and identity.

2. (a) Resilience

Career resilience is the degree to which employees can cope with problems affecting their work.

3. (b) Insight

Career insight is defined as the extent to which employees are aware of their interests, skills, strengths and weaknesses, and how these perceptions relate to their career goals.

4. (d) Career

A career is defined as a sequence of positions, roles or jobs, held by one person over a relatively long time span. It can also be defined as a sequence of separate, but related or connected work/life activities that provide continuity, order and meaning in a person's life. Career is not confined to one organization. It could cut across organizations and roles, all interrelated with one another.

5. (b) A sequential pattern of jobs that form a career

A career path is defined as a sequential pattern of jobs that form a career.

6. (b) Goals

Career goals are the future positions that an individual strives to reach as a part of a career.

7. (d) It is the process whereby each employee personally sets his career goals and the path to these goals.

The term 'individual career planning' refers to the process, whereby each employee personally sets his own career goals and the path to these goals.

8. (b) Career management

Career management is the process of designing and implementing the goals, plans, and strategies that enable HR professionals and managers to satisfy workforce needs and allow individuals to achieve their career objectives.

9. (c) Anchors

career anchors are the basic attitudinal characteristics that guide people, throughout their careers. They act as the foundation, with deep roots for conviction, competence or mental preparedness for pursuing a career path.

10. (c) Functional competence

Individuals with a functional competence anchor, exhibit a strong inclination to develop something, which they can call their own. Engineers, scientists, technologists, entrepreneurs etc. come under this category.

11. (b) Edger Schein

Career anchors are the basic attitudinal characteristics that guide people, throughout their careers. These characteristics are composed of a combination of needs and drives and serve to "anchor" the person to a few related types of careers. Edgar Schein, a professor at MIT, developed the idea of career anchors and came up with eight career anchors.

12. (c) Independence

People who have autonomy/independence as a career anchor, desire to have freedom to operate and autonomy to take their own decisions. They excel as entrepreneurs, professors, consultants, professionals and free-lancers.

13. (d) Security/stability

Individuals, who have security/stability as the predominant career anchor, prefer to remain in the same kind of job and with the same employer for life.

Block 3 : Management and Development of Human Resources

14. (b) Give them enough freedom to create and are not bound by the organizational framework

Those with creativity as an anchor are more often successful as artists, freelancers, entrepreneurs and innovators. They enjoy jobs where they are given enough freedom to 'create' and are not bound by the organizational framework.

15. (c) Service

Service as a career anchor, drives individuals to take up jobs in not-for-profit service organizations, NGOs, special schools for the disabled, hospitals for the underprivileged, etc. The worthwhile causes they pursue can range from environmental protection to poverty alleviation.

16. (a) People with service as a career anchor almost always join the armed forces.

Service as a career anchor, drives individuals to take up jobs in not-for-profit service organizations, NGOs, special schools for the disabled, hospitals for the underprivileged, etc.

17. (d) i, ii, iii, iv

Career planning refers to the process by which an individual selects career goals and the path to these goals. Four distinct elements of career planning are individual assessment and need analysis, organizational assessment and opportunity analysis, need-opportunity alignment, and career counseling.

18. (c) i, ii, iv

The possible reasons for 'career drift' are financial needs, improper guidance, family background and inadequate knowledge.

19. (a) Individual assessment and need analysis – organizational assessment and opportunity analysis – need opportunity alignment – career counseling

The logical sequence in which a career planning program takes place is: individual assessment and need analysis, organizational assessment and opportunity analysis, need opportunity alignment, and then career counseling.

20. (b) Evaluate employees based on their competencies

'Assessment centers' evaluate employees on their competencies and their ability to perform in future positions. These centers use group discussions, role plays, interviews and an assortment of tests. They also use alternate forms of simulation exercises.

21. (b) Need analysis

The purpose of need analysis for the organization is to identify the training and development exercises that will help the individual meet his career plans, as well as organizational objectives.

22. (b) Ensuring that the results of the analysis are not communicated to the employee

The basic elements of need analysis are as: understanding the career aspirations of the employee; determining his knowledge, skills, competencies, and attitudes; identifying the areas that need training inputs; and communicating the results of the analysis.

23. (d) Behavioral

The traditional paths tend to be limited to advancements, within a single function or organizational unit, such as purchasing, sales or customer relations. The behavioral career path, which is quite different from the traditional path, allows the employee to switch jobs and occupations.

24. (d) All of the above

An organization that shows concern for the employees' future by providing them the best opportunities can attract and retain talented people. As the number of people who seek challenging jobs, greater responsibilities and better opportunities increases, career planning becomes all the more essential.

25. (d) i, ii, iii, iv

Career planning offers the following benefits to employees: It helps the employee understand his own strengths and weaknesses vis-à-vis his objectives; it helps the employee to have a better knowledge of the career opportunities available to him; it enables him to choose a career that suits his lifestyle, preferences, self-development plans, family environment, etc.; it helps him plan his career with a long-term perspective; it provides him an opportunity to change his career plans, according to his changing needs or a changing environment; success in achieving career objectives gives the employee, a sense of satisfaction and achievement that further motivates him/her..

26. (c) Training opportunities

The issues which act as challenges to career planning are dual career families, low ceiling careers, declining opportunities, career stages, restructuring, career plateaus and work family issues.

Block 3 : Management and Development of Human Resources

27. (a) Career development

Career development is the process by which employees' progress through a series of stages, each characterized by a different set of developmental tasks, activities, and relationships. There are different career development or career management models based on various factors. Career paths chart the possible directions and paths of advancement in an organization. Career drift is the phenomenon of people initially entering their jobs, occupations and careers, with little attention to career planning and later, feeling disengaged. The situation in which an individual feels that there is nothing left to achieve is termed as a career plateau.

28. (d) The job characteristics model

The life-cycle model, the organizational-based model and the direction-pattern model are different career development models. The job characteristics model pertains to job design.

29. (c) Direction-pattern

The direction-pattern model talks of the different perspectives of employees about their careers and their plans to progress. For example, when an employee decides to continue in the same job or occupation for life, it is called a linear approach. Similarly, another employee might consider shifting job areas/occupation for various reasons. This is called a spiral approach.

30. (c) Exploration

Exploration typically occurs during mid-teens or early twenties, when an individual is in high school, college or university. The exploration stage continues when an individual takes up a new job and starts his career. Generally, the new employee tries to align the job and his own aspirations/aptitude. In the exploration state, people try to discover their inclination towards different kinds of work. Considering their values, interests and work preferences, they seek information about jobs, careers and occupations from friends, family members, and colleagues.

31. (b) The different stages that an individual grows through in his career

The life cycle model of career development is based on the different stages that an individual grows through in his career. The employee undertakes different developmental tasks in each of these stages.

32. (c) Maintenance

The employee in the maintenance stage strives to maintain a reputation and likes others to perceive him as one, who is a major contributor to the organization. Typically, individuals in this stage have enough job

experience to have good knowledge and sound understanding of how the organization conducts its business and how the economy affects the business. The individual in this stage is involved in the review and development of organizational policies or goals.

33. (b) Time bound promotion

In time bound promotion, the employee is promoted to a particular level, after a fixed tenure.

34. (d) Vacancy-based

Vacancy-based promotions are similar to merit-cum seniority promotions. Employees at the same level are judged based on their performance and service, and the best one from the lot is promoted to the vacant position at the next level.

35. (c) Transfer

Transfer is a change in the employee's career, which involves horizontal movement of the employee from one job to another job at the same level of the organizational hierarchy. Sometimes, promotions may also necessitate transfers.

36. (c) i, ii, iv

The reasons for development of job vacancies in the organization are employee turnover, promotions, demotions and terminations.

37. (b) i/q, ii/r, iii/p

Employee initiated transfers or personal transfers are primarily in the interest of the employee, to match his needs. Company initiated transfers are undertaken mainly to cater to the changing demands and requirements of the company. Public initiated transfers are generally initiated by the government/politicians for various reasons, like disciplinary action or special assignments.

38. (c) Environmental assessment

The elements for effective succession planning are continuity, long term perspective, organizational need perspective, turnover management and emphasis on results.

39. (d) Organizational replacement chart

An organizational replacement chart forms the basis for the process of succession planning. It gives an overview of the present incumbents and the prospective replacements.

Unit 10

Performance Appraisal

Structure

- 10.1. Introduction
- 10.2. Objectives
- 10.3. Concept of Performance Appraisal
- 10.4. Objectives of Performance Appraisal
- 10.5. The Appraisal Process
- 10.6. The Appraisers
- 10.7. Performance Appraisal Methods
- 10.8. The Appraisal Interview
- 10.9. Pitfalls in Performance Appraisal
- 10.10. Uses of Performance Appraisal
- 10.11. Ethics of Performance Appraisal
- 10.12. Summary
- 10.13. Glossary
- 10.14. Self-Assessment Test
- 10.15. Suggested Readings/Reference Material
- 10.16. Answers to Check Your Progress Questions

10.1. Introduction

In the previous unit, we have discussed ways to manage the careers of employees. In this unit, we will discuss performance appraisal.

The performance of an organization is managed by monitoring and managing the performance of the individual employees in the organization. The objectives and goals of individual performance are determined on the basis of organizational objectives and goals. Hence, the successful performance of an organization is the result of individual performances and contributions. Performance appraisal management is a critical and sometimes controversial aspect of organizational management. Traditionally, performance appraisal has been related to rewards and punishments in the organization, but of late, the concept of developing employees, based on appraisal has gained popularity. In

recent times, the measurement and evaluation of performance has been replaced by performance management.

Performance management, a dialogue-based joint process, is a continuous review, where the focus is on values and behaviors and is less likely to be linked to pay. While performance appraisal has a historical approach, performance management is concerned with things that need to be done to develop people, in order to improve performance.

This unit will discuss the concept and objectives of performance appraisal. We shall then discuss the appraisal process and the various types of appraisers. We shall then move on to discuss the various performance appraisal methods and the appraisal interview. Finally, we will discuss the pitfalls, uses, and ethics of performance appraisal.

10.2. Objectives

By the end of this unit, students should be able to:

- Explain the concept of performance appraisal.
- Identify the objectives of performance appraisal.
- Discuss the process involved in appraisal and the various types of appraisers.
- Use the various methods of performance appraisal.
- Reproduce the concept of and challenges in appraisal interviews.
- State the pitfalls in performance appraisals.
- Underline the uses of performance appraisals.
- Indicate the ethics of performance appraisal.

10.3. Concept of Performance Appraisal

Performance is the degree of accomplishment of tasks by an employee in his/her job, while the term appraisal refers to fixing the price/value of an object or thing. The process of evaluating the performance of employees and communicating the results of the evaluation to them, for the purpose of rewarding or developing the employees is known as performance appraisal. Performance appraisal is concerned with the process of valuing an employee's worth to an organization, with a view to increasing it. It is also called performance review, annual review, or annual appraisal. Exhibit 10.1 briefs about performance appraisal policy of Larsen & Toubro Infotech.

Exhibit 10.1 Performance Appraisal Policy at Larsen & Toubro Infotech.

L&T Infotech (Estd. 1997) is a global technology consulting and digital solutions company with operations in 31 countries. It offers comprehensive, end-to-end software solutions and services. This reputed company takes pride in its human resources and its HR policies. The company claims: “We appraise employee performance on an annual basis, giving people credit for their achievements and setting targets for the forthcoming year. We have developed a balanced policy that is both objective and holistic in its approach. Our HRD personnel facilitate the appraisal process and also train senior personnel in assessing individual performance. They resolve the areas of conflict and follow up on the outcomes of the appraisal.”

Their performance appraisal system serves several purposes:

- It provides an opportunity for self-review and assessment
- It allows distribution of incentives in an objective, value-based manner
- It helps in identifying training and development needs.
- It provides a clear and equal focus on both the end results and the processes.

Source: <https://www.lntinfotech.com/>

10.4. Objectives of Performance Appraisal

The objectives of performance appraisal have been listed in Table 10.1.

Table 10.1: The Objectives of Performance Appraisal

Objective	Remarks
1. Setting targets and goals as performance standards	Performance standards and specific goals are set at the beginning of the appraisal period. These targets motivate the employee to perform better.
2. Evaluating employee performance	The evaluation of employee performance helps understand the strengths and weaknesses of the employee. This evaluation also helps to determine the achievement of pre-set goals and targets.
3. Identifying training and development needs	An employee's areas of weakness are also the areas for improvement or development. These are the shortcomings in the individual's performance, which need to be improved upon. <i>Contd.</i>

Objective	Remarks
4. Rewarding performance	Rewarding a good performer and punishing a bad one encourages employees to perform better. As has been stated in the reinforcement theory, behavior is a function of its consequences.
5. Improving performance	Once their strengths and weaknesses are identified, the employees can be encouraged to overcome their weaknesses and leverage on their strengths to optimize their performance.

Source: Icfai Center for Management Research

Advantages of Performance Appraisal

Performance appraisal is an investment for the company which has many advantages:

Promotion: Performance appraisal helps managers to decide upon the promotion programmes for efficient employees. Based on the appraisal ratings, high performing employees can be promoted accordingly.

Compensation: Performance appraisal helps in designing compensation packages for employees. Compensation packages which include bonus, salary increments, extra benefits, incentives, variable pays, allowances etc. are dependent on performance appraisal. The criteria here is merit and performance scores.

Employee Development: As performance appraisal provides inputs about employees' performance levels, indicating their level of knowledge and competencies, it helps managers to understand employees' needs for training and development. The systematic procedure of performance appraisal helps managers to frame training policies and programmes. It helps to analyze and understand strengths and weaknesses of employees so that efficient employees can be allocated the right jobs. It also helps in framing future development programmes.

Selection Validation: Performance appraisal helps the supervisors to understand the validity of the selection procedure. The supervisors can analyze the effectiveness of their recruitment and selection processes and thereby the strengths and weaknesses of these procedures. Future changes in recruitment and selection methods can be made in this regard based on the performance appraisal data of newly joined as well as existing employees.

Block-3: Management and Development of Human Resources

Communication: For an organization, effective communication between employees and employers is very important. Through performance appraisal, communication can be sought for, in the following ways:

- Through performance appraisal, the employers can understand the existing skills of subordinates. They can also have a clear understanding of competencies which employees lack.
- The subordinates can also understand their level of skills and knowledge and work on improving their weaknesses. It also ensures trust and confidence in superiors.
- It also helps in maintaining cordial and congenial labour- management relationship by engaging in better and transparent employee- employer relationships.
- When employees are informed about their achievements and appreciated, it enhances the morale of employees.

Hence a downward communication is essential to communicate with the employees regarding their performance as well as to give them feedback. Employees too communicate about their appraisal with the assigned authority and reporting managers.

Motivation: Performance appraisal serves as a very important motivation tool. Through evaluating performance of employees, a person's efficiency can be determined if the targets are achieved. High performing employees are rewarded or recognized through different methods. Some are promoted, some get variable pay or incentives, some have performance linked pays. Some are awarded or appreciated for their high performance levels. This very well motivates an employee for better job and helps him to improve his performance in the future.

Check Your Progress-1

1. Performance appraisal can be defined as the process of _____.
 - a,. Evaluating the qualifications of an employee and rewarding him/her suitably
 - b. Evaluating the performance of an employee and communicating the results of the evaluation to him/her, for the purpose of rewarding or developing the employee.
 - c. Detailing the various aspects of a job like the tasks to be performed, the responsibilities and the deliverables, and finding suitable employees.
 - d. Determining and recording all the pertinent information about a specific job, including the responsibilities attached to the job and the abilities required by a person to perform the job successfully.

2. _____ can be defined as the degree of accomplishment of tasks by an employee in his/her job.
 - a. Appraisal
 - b. Capability
 - c. Performance
 - d. Competence
3. Which of the following is **usually not** an objective for conducting performance appraisal in an organization?
 - a. Improving performance
 - b. Rewarding performance
 - c. Assessing the human resource requirement
 - d. Identifying training and development needs
4. Match the listed 'objectives of performance appraisal' with the manner in which they help the organization and its employees.
 - i. Setting targets as performance standards
 - ii. Evaluating employee performance
 - iii. Identifying training and development needs
 - p. Helps in identifying the shortcomings in an employee that need to be remedied
 - q. Helps in motivating employees to perform better, by giving them clear goals to aim for
 - r. Helps determine the extent to which pre-set goals and targets have been achieved
 - a. i/p, ii/q, iii/r
 - b. i/q, ii/r, iii/p
 - c. i/p, ii/r, iii/q
 - d. i/r, ii/p, iii/q

10.5. The Appraisal Process

There are five steps involved in the process of performance appraisal. They are:

- Determining performance standards on the basis of organizational objectives and job description. This is done together by the employee and the supervisor.

Block-3: Management and Development of Human Resources

- Determining the metrics (what components) and methods (how) of performance appraisal.
- Measuring employee performance, against the pre-determined goals and standards. Performance appraisal should be done at regular intervals and feedback given to the employees. Noting down the positive and negative critical incidents enables the performance of the employees to be tracked.
- Communicating the results of appraisal to the employee concerned.
- Putting the document of appraisal to effective and immediate use, once it has been finalized, so as to ensure better performance during the next appraisal period.

Performance appraisals are usually linked to the rewards system, while the competency standards are linked to training and development. Any gaps that exist in competency levels are identified and necessary training is imparted to the employee.

A lack of commitment from the top management could lead to rejection and lack of support from the employees for the performance appraisal system. This might lead to employees losing interest in their jobs. Therefore, the top management should ensure that the whole appraisal process is taken seriously and the results are put to effective use.

10.6. The Appraisers

Earlier, appraisals were done only by the supervisor, while the employee did not have any role to play in the whole process. These days, the performance objectives and standards are determined by the employee, along with his/her superior. In a 360 degree feedback, a much more recent concept, the employee's peers/colleagues, suppliers, customers/clients and even his/her subordinates, play a role in assessing his/her performance. The different appraisers are shown in Table 10.2.

Table 10.2: Types of Appraisers

Self-Appraisal	Employees evaluate their own performance. They judge their strengths and weaknesses, and identify the problem areas that need training and development.
Supervisors	The supervisor evaluates the performance of his/her subordinate.
Peers	Evaluation is done by peers. This sort of appraisal is used for assessing the employee's communication and interpersonal skills that may affect the team performance. <i>Contd.</i>

Customers/ Clients	Feedback from internal (in assembly line) or external (like banks) customers is used to evaluate employee performance.
Subordinates	The subordinates evaluate the performance of their supervisors. The 360 degree feedback system, enables appraisal by subordinates.

Check Your Progress-2

5. Arrange the following steps in the performance appraisal process, in their correct sequence.
 - i. Communicating the results of the appraisal, to the employee concerned
 - ii. Ensuring the use of the appraisal document, so that the employee performs better during the next appraisal period
 - iii. Measuring employee performance against predetermined standards
 - iv. Determining the standards of performance
 - v. Determining how the components of performance are to be measured
 - a. i – ii – iii – iv – v
 - b. v – iv – iii – ii – i
 - c. i – ii – iv – iii – v
 - d. iv – v – iii – i – ii
6. In order to obtain the maximum benefits from a performance appraisal system, the performance standards must be linked to _____ and the competency standards to _____.
 - a. The rewards system; training and development
 - b. The appraisal; the rewards system
 - c. Career development; the annual increment
 - d. The annual bonus; job evaluation
7. Traditionally, appraisal has been the job of the _____ with the appraisee himself having no role to play in the process. The concept has changed today and now the appraisee has a major role in the process.
 - a. HR Manager
 - b. Supervisor
 - c. Subordinate
 - d. Internal auditor

Block-3: Management and Development of Human Resources

8. The person, who is in the best position to evaluate the performance of an assembly line worker in a manufacturing organization would be his/her _____.
- HR Manager
 - Union Official
 - Internal customer
 - External Customer

10.7. Performance Appraisal Methods

There are numerous methods which companies use to appraise employee performance depending upon the size and nature of the organizations. As performance needs to be quantified in-order to decide the rewards, a common approach to assess performance is to use a numerical or scalar rating system whereby managers are asked to score an individual against a number of objectives/attributes.

The overall performance of each employee needs to be compared with his key performance indicators and assessed accordingly. There are different people in the company who can assess the employees' performance. In some companies, employees receive assessments from their manager, peers, subordinates, and customers, while also performing a self-assessment. Some companies use traditional methods of appraisal, whereas some companies use modern or contemporary methods of appraisal.

The following table depicts the most commonly used performance appraisal methods.

Traditional Methods

1. Management by Objectives (MBO)
2. Graphic rating scale
3. Work standards approach
4. Essay appraisal
5. Critical incident method
6. Forced choice rating method
7. Point allocation method
8. Ranking methods
9. Checklist

Modern Methods

1. Behaviorally anchored rating scale (BARS)
2. 360 degree performance appraisal
3. Team Appraisals
4. Balanced scorecard method

10.7.1 Management by Objectives (MBO)

The concept of 'Management by Objectives' (MBO) was suggested by Peter F. Drucker in 1954. It is an effective method of appraisal and can be expressed as a process whereby the employees and the managers come together to identify common goals – the organizational goals as well as individual goals. They set the standards of performance for each employee which needs to be taken as the criteria for measurement of their performance. The contribution of each employee as well as the required course of action to be followed is also decided.

Thus, the essence of MBO is participative goal setting, choosing course of actions and decision making by mutual consent between the superior and subordinate. Ideally, when employees themselves have been involved with the goal setting and the choosing the course of action to achieve them, they are more committed. Moreover, individuals are more self-aware and also understand the level of their competencies to make contribution towards individual and organizational performance.

This method is results oriented and similar to the work standards approach, with a few differences. First, the manager and employee discuss, mutually develop objectives for a particular time period. Hence the employees' inputs are taken during setting goals or targets for them. Also, employees have an active participation and involvement during setting time frames, resources and all other criteria required for performance. Then when it is time for the performance evaluation, the manager and employee discuss together to review the goals that were set and determine whether they were met. Hence it is a process where there is continuous employee involvement at all stages. More importantly, goal setting is a mutual process here. The advantage of this is the open communication between the manager and the employee. The employee also has "buy-in" since he or she helped set the goals, and the evaluation can be used as a method for further skill development. This method is best applied for positions that are not routine and require a higher level of thinking and analytical skills to perform the job. As MBO is based on objective setting and finally assessing the performance linking to the standard objectives to see if the actual performance matches with the set objectives, the managers and employees should be able to set strong objectives.

Block-3: Management and Development of Human Resources

Also called the goal-setting approach, the main aspects of MBO are clear and well-defined goals, a definite time-span to achieve the goals, an action plan, and finally, timely and constructive feedback. It is generally used for managers and professionals. The goals are set with the active participation of the employee and his/her supervisor. These goals have to be in alignment, with the organizational goals and have to contribute to their achievement. Successful implementation of MBO requires quantifiable goals. It needs goals which are measurable and are neither too easy, nor too difficult to achieve. A well-developed plan to implement the MBO with the help of employees who are motivated to achieve these goals is also an essential requirement. The evaluation needs to be objective which makes it fair, complete and efficient. Finally, the areas of improvement accompanied by future course of action for corrective measure are also important. MBO might not be suitable for all job positions, thus to make MBOs an effective performance evaluation tool, it is advisable to train managers and determine which job positions could benefit most from this type of method. Successful implementation of MBO requires:

- Quantifiable and measurable goals, which are neither too easy, nor too difficult to achieve
- A well-laid out action plan, providing for contingencies
- Employees, who are properly equipped and motivated to achieve these goals
- Objective evaluation of the performance
- Identifying areas for improvement and taking corrective action.

10.7.2 Graphic Rating Method

In this method, the rater rates the employee, based on factors like quantity and quality of work, job knowledge, dependability, punctuality, attendance, etc. The graphic rating scale has numerical ranges and written descriptions. This method suffers from two limitations: first, the important employee behavior categories may be missed out and the irrelevant ones may be included, and second, there are chances of confusion and loss of reliability as different people may interpret the written descriptions differently.

In this method, an employee's quality and quantity of work is purely assessed by using a graphic scale indicating different degrees of a particular trait, i.e., behavior or characteristics as they relate to work performance. For example, a trait like Job knowledge may be judged on the range of average, above average, outstanding or unsatisfactory or on a scale ranging from one to five or seven. There can be different factors to be rated based on the criteria of appraisal. It

can be knowledge, technical or conceptual skills, analytical skills, diagnostic skills, interpersonal skills, soft skills and so on. The list of factors to be appraised is dependent upon the company requirements.

10.7.3 Work Standards Approach

This method is more suitable in a manufacturing scenario, where the goals are pre-determined work standards. These work standards can be set on the basis of the average output of a typical employee in the organization or by benchmarking against the work standards of a competitor in a similar business. The advantage of this approach is that the goals to be measured are objective, as well as quantifiable, while the disadvantage is that comparison cannot be made between the work standards for different job categories.

In certain jobs, productivity is most important. In such jobs, a work standards approach could be the more effective way of assessing and evaluating employees. With this highly results-focused approach, a minimum level of productivity is defined and is set and the employee's performance evaluation is based on this level. For example, if a sales person does not meet a target of fixed number of units to be sold, this would be recorded as non-performance or not meeting the expected productivity level. This approach works best in long-term situations, where the employees' productivity levels are continuously assessed over a long period. Here a reasonable measure of performance can be evaluated over a certain period of time. This method is also used in most manufacturing situations or factories where production is extremely important. For example, in an assembly line, the focus is on how many units are manufactured or built in a specified period, and therefore, employee performance is measured based on the manufacturing capacity of the employee which indicates how many units he has produced in a fixed time interval. Since this approach is centered on production, it doesn't allow for rating of other factors, such as ability to work on a team or communication skills, which can be an important part of the job, too. Thus it overlooks all other performance related factors and assesses only productivity of employee.

10.7.4 Essay Appraisal

In this method, based on the questions or guidelines provided, the appraiser prepares a document, explaining the performance of the employee. The advantage of this system is that the appraiser can express all of his/her views freely about the employee's performance. The disadvantages are: the appraisal will be incomplete if the appraiser concentrates on a single aspect or misses out an important aspect of performance; it is difficult to compare the performance of two employees on the basis of the appraisal provided by different supervisors; and the writing skills, or the lack of it, of the appraiser can make

Block-3: Management and Development of Human Resources

an inadequate performance adequate or an excellent performance merely adequate.

It is also known as “Free Form Method”. This method involves a detailed description of the performance using a number of broad performance criteria of an individual employee by his superior. These criteria are based on the facts and often supported by examples and evidences. Hence it is more evidence based. A major drawback of the method is that managers sometimes find it difficult to keep the bias of the evaluator away. This can be criticized by the employees too as they might feel that their boss is biased during evaluation because of the detailed descriptive way of assessment.

10.7.5 Critical Incident Method

In this method, the appraiser makes a note of all the critical incidents that reflect the performance or behavior of the employee during the appraisal period. At the end of the appraisal period, this record forms the basis for evaluating the performance of the employee. Due to the ambiguity involved and the effort required for recording the incidents, this method of appraisal is seldom used. The employees, too, may not be happy with the manager who is constantly tracking and recording their performance in this way.

While critical incident method of appraisal is more time-consuming for the manager, at the same time, it can be effective at providing specific examples of employee’s behaviour. With a critical incident appraisal, the manager records examples of the employee’s effective and ineffective behavior during the time period between evaluations. These examples refer to the incidents where employee has shown specific behaviours to deal with certain critical situations. When it is time for the employee to be reviewed, the manager will recollect the noted incidents that occurred over a specific time period and assess the employee’s behavior in those incidents. The disadvantage of this method is the tendency to record only negative incidents instead of positive ones. As it is human tendency to overlook the positive attitudes or behaviours and emphasize more on the negative ones, this method can be biased sometimes. However, this method can work well if the manager has the proper training to record incidents without missing any incident. This approach also works well when jobs a worker does vary from time to time, leading him to move from routine tasks to different ones.

Check Your Progress-3

9. There are various traditional and modern methods of performance appraisal. Which of the following is **not** a traditional method of appraisal?
 - a. Checklist appraisal
 - b. Management by Objectives
 - c. Team appraisal
 - d. Essay appraisal
10. The main aspects of MBO are clear and well-defined goals, a definite time-span to achieve the goals, an action plan, and finally, timely and constructive feedback. MBO stands for _____.
 - a. Management by Ordering
 - b. Managing Business Organizations
 - c. Management by Objectives
 - d. Making Business Outperform
11. MBO is also called the goal-setting approach. How are the goals set in the Management by Objective method?
 - a. Goals are developed by the employee himself/herself.
 - b. Goals are developed with the active participation of the employee and his/her supervisor.
 - c. Goals are set by the employee's immediate supervisor.
 - d. Goals are set by the headquarters of the organization.
12. MBO is more useful for appraising the performance of a particular category of employees. Who are they?
 - a. Shop floor workers
 - b. Contract workers
 - c. Clerical staff
 - d. Managers and professionals
13. Which of the following can be considered to be the **disadvantage(s)** of the graphic rating scale method of appraisal?
 - i. The appraiser may concentrate on just one aspect of the employee's work.
 - ii. The employee behavior categories chosen for the appraisal, may be irrelevant.
 - iii. The supervisor must keep a regular record of the employee's performance, noting down important incidents.

Block-3: Management and Development of Human Resources

- iv. Written descriptions provided in the appraisal may be interpreted in different ways by different people, leading to loss of reliability.
 - a. i and ii
 - b. iii and iv
 - c. i and iii
 - d. ii and iv
 - 14. In the Work Standards approach to performance appraisal, the predetermined work standards can be set _____ or _____.
 - i. Based on the average output of a typical employee
 - ii. Based on the questions or guidelines provided to the appraiser
 - iii. By allocating points to different activities and jobs
 - iv. By benchmarking against work standards of a competitor in a similar business
 - a. i; iii
 - b. ii; iii
 - c. i; iv
 - d. ii; iv
 - 15. In the _____ method of performance appraisal, the appraiser prepares a document analyzing and describing the performance of an employee.
 - a. Ranking
 - b. Essay
 - c. MBO
 - d. Critical incident
 - 16. In the _____ method of performance appraisal, the appraiser makes a note of all the significant incidents that reflect the performance or behavior of the employee during the appraisal period.
 - a. Critical incident
 - b. Significant happening
 - c. Balanced scorecard
 - d. Memorable performance
-

10.7.6 Forced Choice Rating Method

Forced choice method of performance appraisal was introduced by J.P. Guilford. It is one of the most systematic and reliable approach to evaluate employees accurately. It uses different statements, both positive as well as negative, which carries certain score set by the HR manager, which is not even revealed to the Rater. This makes the process more objective to evaluate. The

scores are at last summed up and conclusion is drawn based on the total score. The employees with high scores are ranked at the top while least scoring employees are ranked at the bottom. This method is time consuming and it is very challenging to construct appropriate evaluative statements. Once the Rater finishes evaluating all employees, the final report is sent to the HR manager for final assessment.

In this method, the appraiser has to assign unique ranks to different attributes (positive) of the employee. The attributes have different weights, but the appraiser is not aware of these. Once the employee attributes are ranked, the human resource department determines the final appraisal score of the employee by applying weights to the attributes. In this method, the element of subjectivity is minimized, since the appraiser has to assign a unique rank to each attribute. However, this may not be a very pleasant experience for the appraiser, or an easy task for him/her to convince the employee of the reason behind the ranking and that the fairness of the ranks assigned.

10.7.7 Point Allocation Method

In this method, the appraiser, who has a specific number of points at his/her disposal, has to allocate them among his/her team members. Points are allocated based on the performance of the employees, during the appraisal period. The best performers get the highest score, while those who didn't perform well, get a low score. This method suffers from two limitations, first, an appraiser who does not want to create enmity can allocate equal points to everyone in the group, irrespective of their performance, and second, the difference in point allocation, may not reflect the differences in performances, across groups. Exhibit 10.2 briefs the ranking system followed in GE.

Exhibit 10.2: Ranking system

General Electric (GE) used perhaps one of the most well-known forced ranking systems. In this system, every year managers placed their employees into one of three categories: "A" employees are the top 20 percent, "B" employees are the middle 70 percent, and "C" performers are the bottom 10 percent. In GE's system, the bottom 10 percent are usually either let go or put on a performance plan. The top 20 percent are given more responsibility and perhaps even promoted. However, even GE has reinvented this stringent forced ranking system. In 2006, it changed the system to remove references to the 20/70/10 split, and GE now presents the curve as a guideline.

Source: http://www.businessweek.com/magazine/content/06_02/b3966060.htm

10.7.8 Ranking Methods

The three commonly used methods of ranking are alternation, paired comparison, and forced distribution. While the first two methods are used when there are only a few employees to be ranked, the forced distribution method is used, when there are a large number of employees.

Block-3: Management and Development of Human Resources

- **Alternation:** In this method, the appraiser ranks all his/her employees from the most valuable to the least valuable, on the basis of their performance and contributions to the organization.
- **Paired comparison:** In this method, every employee in the group is compared with every other employee in the group and ranked. The employees are rated based on the number of times they come out as the winner in each paired comparison.
- **Forced distribution:** In this method, the employees are categorized as 'Top', 'Standard', and 'Bottom' and placed under a forced-distribution curve. A certain percentage of employees have to be placed in each category. The forced distribution method helps the organization in identifying and getting rid of the non-performers, thus improving overall productivity and performance levels in the organization.

10.7.9 Checklist

In this method, the rater has to respond 'Yes' or 'No' to a set of questions which assesses the performance and behavior of the employee. Weights are usually attached to each of these questions, based on which the final appraisal score of the employee is calculated. Despite the fact that the weights are unknown to the appraiser, the positive or negative implication is evident in the question and thus the response may turn out to be a biased one. Second, different checklists may have to be designed for different jobs or job categories, which in turn might make the whole exercise very cumbersome and complex.

The company has a choice to choose either Weighted Checklist Method or Forced Checklist Method.

Check Your Progress-4

17. In the _____ method of performance appraisal, the appraiser is first required to assign ranks to different attributes of the employees and then the human resource department, attaches weights to the ranks and arrives at a final appraisal score.
 - a. Balanced scorecard
 - b. Critical incident
 - c. Forced choice rating
 - d. BARS
18. Identify the disadvantages of the point allocation method in correctly appraising the performance of an employee.
 - i. The method is very difficult for employees to understand.

- ii. An appraiser may play safe and allot equal points to each employee, ignoring their performance.
 - iii. The difference in point allocation may not reflect the difference in performances, across groups of employees.
 - iv. The written descriptions provided by the appraiser, may be confusing.
- a. i and ii
 - b. ii and iii
 - c. iii and iv
 - d. i and iv
19. Alternation and paired comparison ranking methods are more suitable in situations where _____.
- a. A large number of employees have to be appraised
 - b. The employees to be appraised are shop floor workers
 - c. Only a few employees have to be appraised
 - d. The organization structure is highly complex
20. In the _____ method of performance appraisal, the rater responds 'Yes' or 'No' to a set of questions, which assess the employee's performance and behavior.
- a. Ranking
 - b. Checklist
 - c. Alternation
 - d. Paired comparison

10.7.10 Behaviorally Anchored Rating Scale (BARS)

Behaviourally Anchored Rating Scales (BARS) is a modern technique which is a combination of the graphic rating scale and critical incidents method. It comprises of predetermined critical areas of job performance or identified behavioral qualities which describe important job performance qualities (like the qualities such as inter-personal relationships, adaptability and reliability, job knowledge etc.). The typical BARS includes seven or eight performance behaviours and each one measured by a seven-or-nine point scale. These statements are developed from critical incidents.

Instead of actual performance, this method concentrates on the behavioral traits displayed by the employees. The three steps in implementing a BARS system are:

Block-3: Management and Development of Human Resources

- Determination of relevant job dimensions, by the manager and the employee
- Identification of behavioral anchors by the manager and the employee, for each job dimension
- Determination of the scale values to be used and grouping of anchors for each scale value, based on consensus.

The main advantage of this method is that both the manager and the employees are actively involved in the appraisal process. This enhances the relevance of the system to each job and also improves its acceptance by employees. However, one disadvantage of this system is that it is cumbersome and requires considerable amount of time and commitment to develop.

10.7.11 360 Degree Performance Appraisal

In a 360 degree appraisal system, the performance of an employee is evaluated by his/her supervisor, peers, internal/external customers, internal/external suppliers, and subordinates. This system reduces the subjectivity of the traditional supervisor appraisal. The system is also more comprehensive, since the evaluation is made by those (apart from the boss) who are more directly affected by the employee's behavior and performance. Under this method, an employee's job performance is appraised with the help of factors and hence include multiple perspectives. Such factors may be related to superiors, colleagues, subordinates and even clients or customer too. An evaluator asks various questions to these factors and collects their feedback. Such reports are finally distributed to the employees, following which they can communicate with their appraiser in regards with their opinion about how to improve his or her performance. 360-degree method is considered to be the most effective way of appraising employee's performance as information and feedback is collected from many people at different levels working with the employee. It includes the opinions of various stakeholders

Exhibit 10.3 briefs about Netflix 360-degree reviews.

Exhibit: 10.3 Netflix's 360-Degree Reviews

Many years ago, Netflix eliminated formal performance reviews. Patty McCord, the former Chief Talent Officer of Netflix says, "We had held them for a while but came to realize they didn't make sense. They were too ritualistic and too infrequent." The company replaced informal '360-degree reviews' in place of formal reviews. In the initial days, the company conducted these reviews through anonymous software system. But over time it shifted to signed feedback.

Contd.

How do they perform these informal 360-degree reviews?

Patty McCord opined that people can handle anything as long as they're told the truth. She preferred and advocated face-to-face 360-degree reviews. During 360s people were asked to identify things that their colleagues should stop, start, or continue. Employees can send feedback to anyone in the company — and that person's direct manager and superiors up the chain of command will have access to it. And these 360s are separate from compensation reviews.

Former employees when interviewed by Business Insider, told that the feedback received during 360s — or any of time of year — can impact employee's career at Netflix if it's not taken seriously.

Source: <https://www.businessinsider.com/netflix-insiders-describe-how-its-360-feedback-reviews-work-2020-3?IR=T>, March 29, 2020

10.7.12 Team Appraisals

In this method, the individual team members, evaluate their colleagues in the team and give feedback. This helps in synergizing individual efforts and taking the group performance to higher levels.

10.7.13 Balanced Scorecard

It was developed by Robert Kaplan and David Norton in 1990s. The purpose of balanced scorecard is to evaluate the organizational and employee performance from multiple business perspectives. The conventional approach measures the performance only on a few parameters like the action processes, results achieved or the financial measures etc. The balanced scorecard uses a balanced set of measures based on four dimensions (financial – profits, market share, ROI; customer – perspective about organization loyalty to firm, acquisition of new customers; internal business measures – infrastructure, organisational processes and systems, human resources; and the innovation and learning perspective – ability to learn, innovate and improve). These are further linked to employee performance.

In this method, each individual in his/her role is assigned a set of initiatives and activities, which are his/her responsibilities. If these activities are performed well, they will contribute to the successful implementation of the company's strategy. The HR scorecard (that involves assigning of responsibilities to individuals and tracking for achievement of objectives), which is a part of the balanced scorecard, tries to give an online feedback to the employees on their performance. In some cases, their salaries are linked to their performance. The balanced scorecard can be used to evaluate the alignment of compensation and benefit plans with the strategic needs of employers and employees. Exhibit 10.4

Block-3: Management and Development of Human Resources

briefly describes a concept of Shared Work Unemployment Compensation Program, in the words of a veteran HR practitioner, Ms. Jude Reser, regional director of human resources for Atrium Hospitality. Shared work practice, improves employee commitment and loyalty to the works place, and thus improved performance.

Exhibit 10.4: Shared Work: For Company Stability and Longevity and employee Loyalty and Productivity

Jude Reser advocates that When the interests of financial stakeholders, employees and customers are in balance, everyone wins. But there are new challenges in achieving equilibrium. She opined that Covid-19 pandemic impacted the balance of each element in Balance Scorecard. During these work from home scenarios, she suggest employers help workers feel more supported. She recommends “shared work’ for offering more help to employees. She told, “in Missouri, the Shared Work Unemployment Compensation Program can be particularly beneficial in returning employees to work during uncertain times since it allows employers the flexibility to adjust labor based on business needs. It’s an alternative to layoffs because it enables employers with a reduction in available work to divide the work by offering flexible scheduling.”

Source: <https://www.netsuite.com/portal/business-benchmark-brainyard/industries/articles/cfo-central/balanced-scorecard.shtml>, December 21, 2020

Activity: At Aakanksha India Private Limited (AIPL), an India-based fast moving consumer goods company, the performance of each and every employee is evaluated by his/her supervisor, peers, and also subordinates. AIPL believes in the fact that people who are more directly affected by the employee’s behavior and performance can judge the person better. What type of performance appraisal method is being followed by AIPL? What is/are the advantage(s) of this method? Compare this method, with the other modern methods of performance appraisal.

Answer:

Check Your Progress-5

21. Which of the following is the main advantage of the BARS method of appraisal?
- It ensures that the employees will definitely be identified as strong, medium, and low performers.
 - The employees and the manager are both actively involved in the appraisal process.
 - The appraiser needs to answer only 'Yes' or 'No' to the questions in the appraisal form.
 - The method is sure to highlight any exceptional achievements of the employee in the appraisal period.
22. The three steps in implementing a BARS system are listed below. Select the alternative that gives their correct sequence.
- Identification of behavioral anchors by the manager and the employee for each job dimension.
 - Determination of the scale values to be used and grouping of anchors for each scale value, based on consensus.
 - Determination of relevant job dimensions by the manager and the employee
- i, ii, iii
 - ii, iii, i
 - iii, i, ii
 - iii, ii, i
23. In _____ performance appraisal, the employee's performance is evaluated by his/her supervisor, peers, internal/external customers, internal/external suppliers, and subordinates.
- Total
 - 180 degree
 - All-around
 - 360 degree

Block-3: Management and Development of Human Resources

24. _____ appraisals are particularly effective in synergizing the efforts of groups of people, and taking their performance to higher levels.
- Checklist
 - Forced choice rating
 - Work standards
 - Team

10.8. The Appraisal Interview

The interaction between the employee and the supervisor is formally termed the appraisal interview. This interaction can take place in two ways: first, when the supervisor alone evaluates employee performance and conveys it to the employee, and second, when the employee evaluates his/her own performance and discusses it with the supervisor to get the necessary inputs. An appraisal interview is a very critical and sensitive area and so care should be taken to avoid any unpleasant situations.

10.8.1 Challenges of Appraisal Interview

The atmosphere in an appraisal interview is usually quite tense and not very comfortable. The appraisee is generally nervous about receiving negative feedback, while the appraiser is cautious about giving such feedback. Following are some of the challenges of an appraisal interview.

The Organizational Culture

The performance appraisal exercise loses its sanctity and credibility, if it is not valued by the management and not taken seriously by its employees.

The Relationship Between the Employee and His/Her Supervisor

A cordial and friendly relationship, between the employee and his/her boss, helps in the interview being conducted smoothly.

The Maturity Level of the Individuals

The maturity level of the individuals and their professional attitude plays a major role in the conduct of an appraisal interview. The individuals involved should be able to give, as well as take, negative as well as positive feedback, in a neutral manner.

An Apprehensive Employee

An apprehensive employee might put off the appraiser by being non-cooperative. This may turn the whole process into an unpleasant experience for both.

A wary Appraiser

In order to maintain a cordial relationship with the appraisee, the appraiser may not give any negative or constructive feedback. Thus, the whole exercise may turn out to be futile. Such instances are common in case of peer appraisals and subordinate appraisals.

A Biased Appraiser

The bias of the appraiser, either in favor of or against the appraisee, can lead to either a completely positive or completely negative feedback. This again can make the entire exercise futile.

Inexperience

Inexperience or lack of any previous exposure to the performance appraisal exercise can lead to an ineffective and cursory exercise, which may benefit neither the individual nor the organization.

10.8.2 How do we Face the Challenges?

In order to face the challenges of the appraisal interview, it is necessary:

- To develop an organizational culture, where the appraisal process is considered as a productive and constructive contributor to the growth of the organization, as well as the individual employees
- To have two types of appraisals, namely competency appraisal and performance appraisal, which are interlinked to each other. Development should be attached to competency appraisals, while pay should be attached to performance appraisals
- To set specific, measurable goals at the beginning of the appraisal period
- To provide training on how to conduct an appraisal interview to those employees, who are unfamiliar with the process
- For the appraisee and the appraiser to give each other a chance to reflect and respond on every debatable aspect.

10.9. Pitfalls in Performance Appraisal

The performance appraisal system in any organization has to face some major challenges, which lead to potential errors in individual appraisals. Responsibility vests with the management and the human resource function to take corrective actions and avoid these pitfalls. Following are some of the factors affecting the appraisal process at an individual level.

- **Halo effect:** In this case, the appraiser allows a single characteristic of the appraisee to dominate his/her judgment of the employee performance. This

Block-3: Management and Development of Human Resources

may lead to either a positive report or a negative report on the performance of the employee.

- **Leniency effect:** In this case, the appraiser tends to give high ratings and only positive feedback to the appraisee, irrespective of his/her actual performance, probably to maintain a cordial relationship with the appraisee.
- **Stringency effect:** In this case, the appraiser tries to be very strict in rating the appraisee, since he/she feels that the rules and standards of the organization are not strict enough. This might result in dissatisfaction among the appraisees, as they feel that the evaluation is biased and unfair.
- **Recency effect:** During an annual appraisal, the appraiser tends to be influenced by the performance of the employee over the previous 2-3 months of the appraisal period, and tends to neglect his/her performance level in the preceding nine months.
- **Primacy effect:** In this case, the appraiser tends to be influenced by the behavior or outcomes displayed at the beginning of the appraisal period and this leads to a distorted evaluation.
- **Central tendency effect:** Considered as one of the most common errors in employee performance rating, in this case, the appraiser tends to give ratings in the middle of the performance scale, to all the appraisees.
- **Culture:** In some cases, the culture of the organization or the country, can influence the appraiser to rate the appraisee in a particular manner.
- **Stereotyping:** In this case, the appraiser judges an employee, based on the group he/she belongs to and his/her perception of that group. Stereotyping is a potential error in personality analysis.
- **Perceptual set:** This is the tendency of the appraiser to have an expectation of the performance level, which might hamper his/her perception and judgment of the actual performance.
- **Fundamental attribution error:** Apart from internal factors, an employee's performance may be affected due to some external factors, which are beyond his/her control. However, the appraiser may underestimate the influence of external factors and overestimate the influence of internal factors, while judging the behavior/performance of the employee.

Activity: Mr. Sharma is the head of the sales and marketing division (Eastern India) of Sharon Accessories Limited. He is very strict, while rating the performance of his sales executives. His appraisals usually give

Contd. ...

negative feedback, which is a major reason for dissatisfaction among his subordinates. What is this factor which affects performance appraisal known as? What are the other pitfalls/ challenges in performance appraisal?

Answer:

Check Your Progress-6

25. An appraisal interview is usually not a pleasant experience for the appraiser or the appraisee. Both the appraiser and the appraisee face some challenges. Which of the following is **not** a way to deal with these challenges?
 - a. The organization has to develop the culture wherein the process of appraisal is viewed as a productive and constructive contributor to the growth of the organization as well as the individual employees.
 - b. The appraiser should allow a single, important, characteristic of the appraisee to dominate his/her judgment of the employee performance.
 - c. Specific, measurable goals should be set at the beginning of the appraisal period.
 - d. The appraisee and the appraiser should both give each other a chance to reflect and respond on every debatable aspect.
26. In the context of performance appraisals, the leniency effect refers to _____.
 - a. The situation when an appraiser allows a single characteristic of an appraisee to dominate his/her judgment of employee performance
 - b. The tendency of an appraiser to rate most of the appraisees in the middle of the performance scale.
 - c. The situation when the appraiser tends to give high ratings and only positive feedback to an appraisee irrespective of his/her performance.
 - d. Judging an appraisee, based on the group to which he/she belongs and the appraiser's perception of the group.

Block-3: Management and Development of Human Resources

27. The _____ effect is the opposite of the leniency effect. Here the appraiser feels that the rules and regulations of the organization are not strict enough and so he/she tries to be very strict in his/her appraisal ratings.
- Halo
 - Stringency
 - Recency
 - Primacy
28. In the _____ effect, the most recent performance of the appraisee dominates the appraisal, while the past performance is more or less overlooked.
- Primacy
 - Perceptual set
 - Central tendency
 - Recency
29. The _____ is a potential error of the performance appraisal system, where there is a tendency of the appraiser to rate most of the appraisees in the middle of the performance scale.
- Primacy effect
 - Perceptual set
 - Central tendency effect
 - Halo effect
30. _____ is a pitfall of the performance appraisal system, which involves judging an appraisee, based on the group to which he/she belongs and the appraiser's perception of the group.
- Perceptual set
 - Primacy effect
 - Fundamental attribution error
 - Stereotyping

10.10. Uses of Performance Appraisal

Following are some of the uses of a good performance appraisal system.

- The training and development needs of the employees can be determined.
- Organizational effectiveness can be improved, by improving individual employee performance.

- In addition to market surveys, performance appraisals form the basis for compensation management in the organization.
- It can be used as a basis for transfers, promotions, and other career planning activities of individual employees.
- It helps in succession planning in the organization.
- Cross-functional transfers, job enrichment exercises, etc., can be taken up based on the inputs from the appraisal system.
- Evaluation of the human resources of the firm, which forms the basis for human resource planning, can be done based on the competency, skill set, and potential of the workforce.
- An assessment of the value of the human resources helps in organizational planning.
- The performance appraisal system helps in evaluating and auditing the existing plans, processes, and systems in the organization.

The performance appraisal system should suit the organizational culture and be in alignment with the other HR systems like training and development, compensation, career and succession planning, etc. The employees should have faith and confidence in the appraisal system and its effectiveness.

10.11. Ethics of Performance Appraisal

Every performance management system needs the support of the top management and the acceptance of the workforce for it to be successful. Performance appraisal systems turn out to be ineffective due to implementation errors, rather than design defects. According to surveys, most of the errors of performance appraisal, committed by the appraisers are ‘intentional’ errors. Unintentional errors can be corrected by training the appraiser. Intentional errors, on the other hand, can be corrected by taking more organizational level steps. Some of these steps involve:

- Making the ratings more measurable and quantifiable
- Reducing subjectivity by using multi-rater feedback
- Using instruments/methods having hidden weights or keys attached to them
- Having the feedback evaluated by a third party like the HR department
- Training appraisers on how to provide negative feedback.

The HR department has a major responsibility to assure and maintain the confidentiality of the appraisal. Details about a positive or a negative feedback about an employee should not be made public. The culture of the organization should be open and transparent, and should support the employees in delivering better performance. The ‘potential’ component should be linked to training and

Block-3: Management and Development of Human Resources

development, while the 'performance' component should be linked to pay. Measuring performance through quantifiable targets and goals will weed out unhealthy competition and other related problems.

Check Your Progress-7

31. Apart from evaluating the performance of the employees for rewards/punishments and development, a good performance appraisal system serves many other purposes. These include:
 - a. Determining the training and development needs of employees.
 - b. Forming the basis of transfers, promotions, and other career planning activities.
 - c. Helping in succession planning.
 - d. All of the above
 32. Performance appraisal systems often turn out to be ineffective, due to implementation errors, rather than design defects. According to surveys, most of the errors in performance appraisal committed by the appraisers are 'intentional' errors. However, there are 'unintentional' errors as well. Which of the following steps can help in minimizing unintentional errors?
 - a. Undertake appraiser training
 - b. Make the ratings more measurable and quantifiable
 - c. Reduce subjectivity by using multi-rater feedback
 - d. Have feedback evaluated by third party
-

10.12. Summary

- Performance appraisal is the process of evaluating the performance of an employees and communicating the results of the evaluation to them for the purpose of rewarding or developing the employees.
- A performance appraisal system facilitates optimization of employee performance, helps in identifying areas for development, and is also useful for taking administrative decisions relating to payment of incentives, promotions, etc.
- There are five steps involved in the process of performance appraisal. The top management should ensure that the whole appraisal process is taken seriously and the results are put to effective use.
- There are different classes of appraisers, namely, self-appraisal, supervisors, peers, customers/clients, and subordinates.

- The performance appraisal methods include management by objectives, graphic rating scale, work standards approach, essay appraisal, critical incident method, forced choice rating method, point allocation method, ranking methods, checklist, behaviorally anchored rating scale, 360 degree performance appraisal, team appraisals, and balanced scorecard method.
- The appraisal interview is characterized by performance-related feedback, which is intended to improve employee performance and promote development.
- The challenges to a successful performance appraisal exercise are: the halo effect, error of central tendency, leniency and stringency biases, cultural bias, stereotyping, perceptual set, the recency and primacy effects, and fundamental attribution error.
- A performance appraisal system contributes toward training and development, organizational effectiveness, compensation management, succession planning. It also acts as an audit and helps in revamping HR processes and systems for improved performance.
- Performance appraisal systems turn out to be ineffective, due to implementation errors, rather than design defects. Most of the errors of performance appraisal committed by the appraisers are 'intentional' errors.

10.13. Glossary

- **360 degree performance appraisal (performance appraisal method):** The performance of an employee is evaluated by his/her supervisor, peers, internal/external customers, internal/external suppliers, and subordinates. The system is also more comprehensive as the evaluation is made by those (apart from the boss) who are more directly affected by the employee's behavior and performance.
- **Alternation (ranking method of performance appraisal):** In this method, the appraiser ranks all his/her employees from the most valuable to the least valuable, on the basis of their performance and contributions to the organization.
- **Appraisal interview:** The interaction between the employee and the supervisor. This interaction can take place in two ways: first, when the supervisor alone evaluates employee performance and conveys it to the employee, and second, when the employee evaluates his/her own performance and discusses it with the supervisor to get the necessary inputs.
- **Balanced scorecard (performance appraisal method):** In this method, each individual in his/her role is assigned a set of initiatives and activities, which are his/her responsibilities. If these activities are performed well, they will contribute to the successful implementation of the company's strategy.

Block-3: Management and Development of Human Resources

- **Behaviorally Anchored Rating Scale (BARS) (performance appraisal method):** Instead of actual performance, this method concentrates on the behavioral traits displayed by the employees.
- **Central tendency effect (factors affecting the appraisal process at an individual level):** Considered as one of the most common errors in employee performance rating, in this case, the appraiser tends to give ratings in the middle of the performance scale to all the appraisees.
- **Checklist (performance appraisal method):** In this method, the rater has to respond 'Yes' or 'No' to a set of questions, which assesses the performance and behavior of the employee. Weights are usually attached to each of these questions, based on which the final appraisal score of the employee is calculated.
- **Critical incident method (performance appraisal method):** In this method, the appraiser makes a note of all the critical incidents that reflect the performance or behavior of the employee, during the appraisal period. At the end of the appraisal period, this record forms the basis for evaluating the performance of the employee.
- **Culture (factors affecting the appraisal process at an individual level):** In some cases, the culture of the organization or the country can influence the appraiser, to rate the appraisee in a particular manner.
- **Essay appraisal (performance appraisal method):** In this method, based on the questions or guidelines provided, the appraiser prepares a document explaining the performance of the employee.
- **Forced choice rating method (performance appraisal method):** In this method, the appraiser has to assign unique ranks to different attributes (positive) of the employee. The attributes have different weights, but the appraiser is not aware of these. Once the employee attributes are ranked, the human resource department determines the final appraisal score of the employee, by applying weights to the attributes.
- **Forced distribution (ranking method of performance appraisal):** It helps in identifying and getting rid of the non-performers, thus improving overall productivity and performance levels in the organization. In this method, the employees are categorized as 'Top', 'Standard', and 'Bottom' and placed under a forced-distribution curve. A certain percentage of employees have to be placed in each category.
- **Fundamental attribution error (factors affecting the appraisal process at an individual level):** Apart from internal factors, an employee's performance may be affected due to some external factors, which are

beyond his/her control. However, the appraiser may underestimate the influence of external factors and overestimate the influence of internal factors, while judging the behavior/performance of the employee.

- **Graphic rating method (performance appraisal method):** The rater rates the employee based on factors like quantity and quality of work, job knowledge, dependability, punctuality, and attendance. The graphic rating scale has numerical ranges and written descriptions.
- **Halo effect (factors affecting the appraisal process at an individual level):** In this case, the appraiser allows a single characteristic of the appraisee to dominate his/her judgment of the employee performance. This may lead to either a positive report or a negative report on the employee's performance.
- **HR scorecard:** A part of the balanced scorecard, it involves assigning of responsibilities to individuals and tracking for achievement of objectives. It tries to give an online feedback to the employees on their performance.
- **Leniency effect (factors affecting the appraisal process at an individual level):** In this case, the appraiser tends to give high ratings and only positive feedback to the appraisee, irrespective of his/her actual performance, probably to maintain a cordial relationship with the appraisee.
- **Management by Objectives (MBO) or goal-setting approach (performance appraisal method):** It is generally used by managers and professionals. The main aspects of MBO are clear and well-defined goals, a definite time-span to achieve the goals, an action plan, and finally, timely and constructive feedback.
- **Paired comparison (ranking method of performance appraisal):** In this method, every employee in the group is compared, with every other employee in the group and ranked. The employees are rated, based on the number of times they come out as the winner in each paired comparison.
- **Perceptual set (factors affecting the appraisal process at an individual level):** This is the tendency of the appraiser to have an expectation of the performance level, which might hamper his/her perception and judgment of the actual performance.
- **Performance appraisal (performance review, annual review, or annual appraisal):** The process of evaluating the performance of employees and communicating the results of the evaluation to them, for the purpose of rewarding or developing the employees.
- **Performance management:** A continuous review, where the focus is on values and behaviors and is less likely to be linked to pay. It aims at looking

Management and Development of Human Resources

forward at what needs to be done to develop people to improve performance while performance appraisal has a historical approach.

- **Performance:** The degree of accomplishment of tasks by an employee in his/her job, while the term appraisal refers to fixing the price/value of an object or thing.
- **Point allocation method (performance appraisal method):** In this method, the appraiser, who has a specific number of points at his/her disposal, has to allocate them among his/her team members. Points are allocated based on the performance of the employees during the appraisal period. The best performers get the highest score while those who didn't perform well get a low score.
- **Primacy effect (factors affecting the appraisal process at an individual level):** In this case, the appraiser tends to be influenced by the behavior or outcomes displayed at the beginning of the appraisal period and this leads to a distorted evaluation.
- **Recency effect (factors affecting the appraisal process at an individual level):** The appraiser tends to be influenced by the performance of the employee, over the last 2-3 months of the appraisal period, and not his/her performance level in the preceding nine months.
- **Stereotyping (factors affecting the appraisal process at an individual level):** In this, the appraiser judges an employee based on the group, he/she belongs to and his/her perception of that group.
- **Stringency effect (factors affecting the appraisal process at an individual level):** In this case, the appraiser tries to be very strict in rating the appraisees, since he/she feels that the rules and standards of the organization are not strict enough. This might result in dissatisfaction among the appraisees, as they perceive the evaluation as biased and unfair.
- **Team appraisals (performance appraisal method):** In this method, the individual team members, evaluate their colleagues in the team and give feedback. This helps in synergizing individual efforts and taking the group performance to higher levels.
- **Work standards approach (performance appraisal method):** This method is more suitable in a manufacturing scenario, where the goals are pre-determined work standards. These work standards can be set on the basis of the average output of a typical employee in the organization or by benchmarking against the work standards of a competitor in a similar business.

10.14. Self-Assessment Test

1. The performance of an organization is managed by monitoring and managing the performance of the individual employees in the organization. Explain the concept of performance appraisal. What are the objectives of performance appraisal?
2. The top management should ensure that the whole appraisal process is taken seriously and the results are put to effective use. What are the different steps involved in the appraisal process? Enumerate the different classes of appraisers and explain in brief their role in the appraisal process.
3. Describe in detail the various performance appraisal methods used by organizations in India and abroad.
4. The atmosphere in an appraisal interview is usually quite tense and not very comfortable. In this regard, discuss the challenges of an appraisal interview.
5. Several factors affect the appraisal process at an individual level. Explain these factors.
6. Apart from evaluating the performance of the employees for rewards/punishments and development, a good performance appraisal system has many other uses. Explain. Discuss the ethical issues that may arise in performance appraisal.

10.15. Suggested Readings/Reference Material

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10.16. Answers to Check Your Progress Questions

Following are the answers to the Check Your Progress questions given in the Unit.

1. (b) Evaluating the performance of an employee and communicating the results of the evaluation to him/her for the purpose of rewarding or developing the employee

The term performance appraisal is concerned with the process of valuing an employee's worth in an organization, with a view to enhancing it. Hence, most appraisal systems are linked to rewards systems, as well as employee development systems.

2. (c) Performance

Performance can be defined as the degree of accomplishment of tasks by an employee in his/her job. It is a measure of the results achieved and targets accomplished; it could also be a measure of employee efforts and behavior.

3. (c) Assessing the human resource requirement

The objectives of an appraisal system are: setting targets and goals as performance standards, evaluating employee performance, improving performance, rewarding performance and identifying the training and development needs. Assessing the human resource requirement for an organization is a part of human resource planning.

4. (b) i/q, ii/ r, iii/p

Setting targets and goals as performance standards at the beginning of the appraisal period motivates the employee to perform better. The evaluation of employee performance helps understand the strengths and weaknesses of the employee and also helps determine the achievement of pre-set goals. An employee's areas of weakness are also the areas for improvement or development. Identifying these areas, helps in deciding on the training and development needs. Rewarding performance and punishing non-performance encourages employees to work better.

5. (d) iv – v – iii – i – ii

The term performance appraisal is concerned with the process of valuing an employee's worth to an organization, with a view to increasing it. The steps in the performance appraisal process are respectively: determination of the standards of performance, decision on the components of performance to be measured and the process of measurement, measurement of the employee performance against predetermined standards, communication of the results of the appraisal

to the employee concerned and the immediate and effective use of the document of appraisal to ensure better performance during the next appraisal period.

6. (a) The rewards system; training and development

The ideal way to ensure maximum utility of performance appraisal is to link the performance standards to the rewards system and the competency standards to training and development. The gaps in competency levels can be identified and necessary training may be imparted to the employee.

7. (b) Supervisor

Traditionally, appraisal has been the job of the supervisor, with the employee himself having no role to play in the process. However, the whole concept has changed today and the appraisee has an important role in the process. The employee, in coordination with the superior, determines the performance objectives and standards. Again, at the end of the appraisal period, the employee assesses his/her own performance, in comparison to the pre-determined objectives.

8. (c) Internal customer

In a manufacturing concern, an internal customer is the one in the assembly line, who uses the product directly. He/she is in the best position to determine the quality of the product and in turn the performance of the worker who made the product.

9. (c) Team appraisal

Checklist appraisal method, Management by Objectives method, and essay appraisal method are traditional methods of performance appraisal, while team appraisal is a modern method.

10. (c) Management by Objectives (MBO)

Also called the goal-setting approach, MBO is commonly used to appraise the performance of managers and professionals. Goals are set with the active participation of the employee and his/her supervisor. These goals have to be in alignment with the organizational goals and have to contribute to their achievement.

11. (b) Goals are developed with the active participation of the employee and his/her supervisor.

The main aspects of MBO are clear and well-defined goals, a definite time-span to achieve the goals, an action plan and finally, timely and constructive feedback. The goals are set with the active participation of the employee and his/her supervisor. These goals have to be in alignment with the organizational goals and have to contribute to their achievement.

Block-3: Management and Development of Human Resources

12. (d) Managers and professionals

The main aspects of MBO are clear and well-defined goals, a definite time-span to achieve the goals, an action plan and finally, timely and constructive feedback. Also called the goal-setting approach, MBO is more commonly used for managers and professionals.

13. (d) Only ii and iv

There are two disadvantages to the graphic rating scale method. One is regarding the choice of employee behavior categories - the important ones might get missed out and the irrelevant ones may get included. The second disadvantage is that different people may interpret the written descriptions in different ways. This might lead to confusion and loss of reliability.

14. (c) i; iv

The work standards in the work standards approach can be set, based on the average output of a typical employee in the organization or by benchmarking against the work standards of a competitor in a similar business.

15. (b) Essay

In the essay appraisal method, questions and guidelines are provided to the appraiser, based on which he/she analyses and describes the performance of the employee being evaluated.

16. (a) Critical incident

In the critical incident method, the appraiser makes a note of all the critical incidents that reflect the performance or behavior of the employee, during the appraisal period. These are recorded as and when they occur and can demonstrate either positive or negative traits or performance. At the end of the appraisal period, this record forms the basis for evaluation of the performance of the employee.

17. (c) Forced choice rating

In the Forced choice rating method, the appraiser is required to assign ranks to different attributes of the employee. The ranks assigned to different attributes of the employee are all seemingly positive, but have different weights, which are unknown to the appraiser. Once the employee attributes are ranked, the human resource department applies the weights and arrives at a score, which is the final appraisal score. The element of subjectivity in this method is minimized, as the appraiser has to assign a unique rank for each of the attributes.

18. (b) Only ii and iii

There are two main disadvantages to the point allocation method. An appraiser who wants to play it safe can allocate equal points to everyone in the group, ignoring the differences in their performance. The second

disadvantage is that the difference in point allocation, might not reflect the differences in performances across groups.

19. (c) Only a few employees have to be appraised

There are three commonly used methods of ranking, namely alternation, paired comparison and forced distribution. The first two methods are used when there are only a few employees to be ranked, whereas the forced distribution method is used in large companies.

20. (b) Checklist

In this method, the rater has to respond 'Yes' or 'No' to a set of questions which assess the employee's performance and behavior. Normally, weights are attached to each of these questions, based on which the final appraisal score of the employee is calculated. Even though the weights are not known to the appraiser, the positive or negative connotation is evident in the question.

21. (b) The employees and the manager are both actively involved in the appraisal process.

The main advantage of BARS is that both the manager and the employees are actively involved in the appraisal process. This increases the relevance of the system to each job and also improves its acceptance by employees.

22. (c) iii, i, ii

There are three steps in implementing a BARS system. They are: determination of relevant job dimensions by the manager and the employee, identification of behavioral anchors by the manager and the employee for each job dimension, and determination of the scale values to be used and grouping of anchors for each scale value, based on consensus.

23. (d) 360 degree

A 360 degree appraisal system, aims at a comprehensive and objective appraisal of employee performance. This system reduces the subjectivity of the traditional supervisor appraisal. It is also more comprehensive because, apart from the boss, feedback is given by peers, customers, suppliers and subordinates of the employee, who are more directly, affected by his/her behavior and performance.

24. (d) Team

In the new economy, where teamwork is essential for any venture to succeed, team appraisals have emerged as one of the best tools for performance management. In the team appraisal method, the individual team members evaluate their colleagues in the team and provide feedback. This helps in synergizing individual efforts and taking the group performance to higher levels.

25. (b) The appraiser should allow a single, important, characteristic of the appraisee to dominate his/her judgment of the employee performance.

To address the challenges faced by managers and employees during an appraisal interview, the organization has to develop the culture, wherein the process of appraisal is viewed as a productive and constructive contributor to the growth of the organization, as well as the individual employees. Therefore, specific, measurable goals should be set at the beginning of the appraisal period. The employee knows where he/she is heading and the appraiser knows what should be evaluated; training on how to conduct an appraisal interview would be useful for those employees who are unfamiliar with the process; the appraisee and the appraiser should both give each other a chance to reflect and respond on every debatable aspect.

26. (c) The situation when the appraiser tends to give high ratings and only positive feedback to an appraisee irrespective of his/her performance

The main reason for leniency could be the appraiser's desire to maintain a cordial relationship with the appraisee. Subconsciously, he/she might feel that any low rating or negative feedback would create unpleasantness, which he/she tries to avoid. Such leniency is the most common reason for most of the appraisal errors.

27. (b) Stringency

In the stringency effect, the appraiser usually gives poor ratings to the appraisees, due to his/her belief that the rules and regulations of the organization are not strict enough and the subordinates are taking advantage of it.

28. (d) Recency

The recency effect occurs when the recent performance of the appraisee, dominates the appraisal. The appraiser tends to get influenced by the performance of the employee over the recent months of the appraisal period, as it is still fresh in his/her memory.

29. (c) Central tendency effect

The central tendency effect is the tendency of the appraiser to rate most of the appraisees in the middle of the performance scale. The appraiser gives neither high nor low ratings and tends to give ratings in the middle of the scale to all the appraisees. This is one of the most common errors in employee performance rating.

30. (d) Stereotyping

Stereotyping is a potential error in personality analysis that can distort performance appraisal. It involves judging someone based on the group he/she belongs to and the appraiser's perception of the group.

31. (d) All of the above

Some of the uses of performance appraisal are: training and development needs of the employees can be determined; organizational effectiveness can be improved by improving the individual performances of the employees; the performance appraisal system forms the basis for compensation management in the organization, in addition to other methods like market surveys; it can be used as a basis for transfers, promotions and other career planning activities of individual employees; an effective performance appraisal system also helps in succession planning in the organization; and cross-functional transfers and job enrichment exercises etc. can be taken up, based on inputs from the appraisal system.

32. (a) Undertake appraiser training

Unintentional errors can be rectified by appraiser training. However, as far as the intentional errors are concerned, more organizational level steps have to be taken. These include: making the ratings more measurable and quantifiable; reducing subjectivity by using multi-rater feedback; using instruments/methods, which have hidden weights or keys attached to them; having the feedback evaluated by a third party like the HR department; and training appraisers on how to provide negative feedback.

Unit 11

Employee Training and Management Development

Structure

- 11.1. Introduction
- 11.2. Objectives
- 11.3. Definition and Purpose of Training
- 11.4. Assessing Training Needs
- 11.5. Areas of Training
- 11.6. Employee Training Methods
- 11.7. Evaluation of the Training Program
- 11.8. Training and Development
- 11.9. Concept of Management Development
- 11.10. Management Development Methods
- 11.11. Evaluating a Management Development Program
- 11.12. Summary
- 11.13. Glossary
- 11.14. Self-Assessment Test
- 11.15. Suggested Readings/Reference Material
- 11.16. Answers to Check Your Progress Questions

11.1. Introduction

In the previous unit, we have discussed the concept of performance appraisal. In this unit, we shall discuss employee training and management development.

Apart from selecting employees, organizations should also train them properly so that they have the ability to face the continuous challenges posed by a competitive business environment. Today, technological advancements and globalization of business have made it crucial for organizations to concentrate and invest substantially on training their employees to meet global challenges. In addition, the ongoing trends of greater work force diversity, flatter organizations, and increased global competition have heightened the

importance of training and development in helping the employees take up greater responsibilities.

This unit will discuss the definition and purpose of training, and then discusses how to assess the training needs, and the areas of training. We shall then discuss the employee training methods, and the evaluation of the training program. We shall then move on to discuss the concepts of training and development, and management development. Finally, we will discuss the various management development methods, and explain how to evaluate a management development program.

11.2. Objectives

By the end of this unit, students should be able to:

- Define and explain the purpose of training.
- State the necessity for assessing training needs.
- Recognize the major areas of employee training.
- Find out the employee training methods used by organizations.
- Explain the process involved in evaluating the training program.
- Demonstrate the importance of training and development.
- Discuss the concept of management development programs.
- Assess the management development methods.
- Identify the models of evaluating a management development program.

11.3. Definition and Purpose of Training

According to Michael Armstrong, training is “the systematic development of the knowledge, skills, and attitudes required by an individual to perform adequately a given task or job.” However, for training to be successful, employees have to be convinced of its utility and effectiveness. A successful training program improves employee performance, which in turn, enhances the performance of the organization. The main objectives of training are:

11.3.1 Improving Employee Performance

Providing training to employees at the time they are recruited helps them in learning the job faster and ensures better performance. In addition, training helps in bridging the gap, between the actual and the expected performance of the employees and helps them in improving their performance, to meet the organizational performance standards.

11.3.2 Updating Employee Skills

The management has to continuously evaluate and adopt any technological advances that will enable the organization to function more effectively and

Block-3: Management and Development of Human Resources

efficiently. Training helps employees to update their skills and helps in integrating the technological changes successfully into organizational systems and processes.

11.3.3 Avoiding Managerial Obsolescence

Managerial obsolescence is defined as the failure to adopt new methods and processes that can improve employee and organizational performance. Managers become obsolete and ineffective, if they fail to adapt to the rapid changes taking place in the technical, legal, and social environments which have an impact on the way they perform their jobs. Regular training keeps them updated to face future challenges.

11.3.4 Preparing for Promotion and Managerial Succession

Training helps an employee to acquire the skills required for him/her to take on greater responsibilities and thus make the transition from his/her present job to the next one easier and smoother.

11.3.5 Retaining and Motivating Employees

A systematic program of career planning and development, makes the employees feel cared for and thus they become more motivated and committed. Such programs help in retaining talented employees.

11.3.6 Creating an Efficient and Effective Organization

A manager who has well trained and well equipped employees needs to spend less time supervising them. The effective training of the employees helps in reducing accidents at the workplace. Reservoirs of skilled employees improve organizational stability, as they can help the organization sustain its effectiveness, even in times of high attrition. Exhibit 11.1, talks about ITC's emphasis on creating a culture that rewards continuous learning, for building efficient and effective organizations

Exhibit 11.1: Learning and Development at ITC

ITC believes that for building a strong, customer responsive world-class company, it needs a strong learning and development vision. And it also knew that organisation to be future-ready and to meet the challenges posed by ever- changing market realities, thoroughly chalked out L&D programs are the mantra.

To build ITC's talent and leadership pipeline and enhance organisational capability to compete, company takes the following initiatives:

1. Core programmes straddling various dimensions of Leadership,

Contd.

2. Capability Enhancement and Skill(s) Development along with customised programmes that address diverse capability-building needs at various levels.
3. Focused induction programs
4. Training in terms of technology and process advancement, to be future ready
5. Development programmes to enhance managerial and leadership capability

These programmes cover not only functional competencies but also behavioural inputs as well, to ensure comprehensive development of our human resources.

Source: www.itcportal.com, Accessed on October 06, 2021

11.4. Assessing Training Needs

Before laying out the plan for training, an organization should analyze its training needs by:

- Determining the goals of the organization
- Prioritizing the tasks in meeting these goals
- Determining the skills set required by the employees
- Identifying the shortage in the skill and knowledge levels of employees.

After the training program, the manager should make a time-to-time assessment of the performance of the employees. Any gap between the desired and actual competency levels of an employee should be bridged through continuous and repeated training. Training should also prepare the employees to take up fresh challenges in a dynamic and competitive business environment. After determining the training needs, training goals have to be established which should be tangible, verifiable, measurable, and clear to the management as well as the employees.

Check Your Progress-1

1. For an organization to be successful, it must train its employees to face the continuous challenges of a competitive business environment. As defined by Michael Armstrong, training is _____.
 - a. The systematic development of the knowledge, skills, and attitudes required by an individual to perform adequately a given task or job

Block-3: Management and Development of Human Resources

- b. A process of evaluating the performance of an employee and communicating the results of the evaluation to him/her for the purpose of rewarding or developing the employee
 - c. A process of enhancing the performance of the organization, through improvement of individual performance, skills, and capabilities
 - d. An act of increasing the knowledge and skills of a select group of top level employees for doing a particular job
2. Every organization, irrespective of its size or nature of operations, needs to provide training to its employees at various stages of their career. Identify the main objectives of training.
- i. Updating employee skills and improving employee performance
 - ii. Preparing for promotion and managerial succession
 - iii. Retaining and motivating employees
 - iv. Avoiding managerial obsolescence and creating an effective and efficient organization
- a. Only i, ii, iii
 - b. Only ii, iii, iv
 - c. Only iii, iv, i
 - d. i, ii, iii, iv
3. Before an organization lays out the plan for training, it needs to analyze the organizational objectives, assess the employee needs, and then train the employees accordingly. Which of the following is **not** one of the steps in assessing organizational training needs?
- a. Determining the organizational goals
 - b. Identifying skills required by employees
 - c. Identifying the salary levels of groups of employees
 - d. Prioritizing the tasks in meeting organizational goals

11.5. Areas of Training

Training improves the overall performance of an organization in several ways. Training which is imparted in one area can benefit the organization in many other areas. In an organization, there are some major areas in which employees are normally trained:

- ***Company policies and procedures:*** This involves acquainting an employee with the organization's rules, practices, processes, and procedures, apart

from the organizational culture, structure, and business. This training enables the employee to work with conviction and confidence.

- ***Skill-based training:*** This involves training the employees to match the skills set required to perform their jobs, which in turn, improves their job effectiveness. Skill-based training also enables them to adapt to the various technological changes.
- ***Human relations training:*** Human relations training, is provided to help employees manage their professional relationships. This training helps employees to improve their skills in the areas of self-learning, interpersonal skills, group dynamics, perception, leadership styles, motivation, disciplinary procedures, grievance redressal, etc.
- ***Problem-solving training:*** Training an employee in problem-solving skills, equips him/her to deal successfully with problems, ranging from simple operational problems to more serious issues.
- ***Managerial and supervisory training:*** Providing training to all the employees in managerial and supervisory functions is essential as the employees move forward on their career paths to take up positions of increased responsibility.

11.5.1 Importance of Learning

Learning is the process of developing new knowledge, skills, attitudes, and values through participation in formally organized learning situations and natural social interaction. It is an essential ingredient of any training program and determines its success. Learning can be measured, as it involves application of the skills acquired from training on the job. The training method should match with the learning style of the participant. This is possible, if the trainers use certain principles of learning and learning styles effectively, in order to develop and maintain training and development programs. Improper application of the learning principles, results in the failure of such programs. It is necessary for the trainers and the trainees to be familiar with the following principles of learning:

Motivation

Employees resist participating in training programs as they fail to understand the benefits of training and/or not convinced about its effectiveness. It is therefore, the responsibility of the management to convince the employees about the benefits. This will motivate them to undergo training and take active participation in various training programs.

Participation

The active participation of the employees in a training program ensures its success. Employees learn better through direct involvement/experience, which is possible only through methods like on-the-job training.

Block-3: Management and Development of Human Resources

Feedback

During the training programs, informal feedback regarding the employees' progress reduces the level of anxiety and helps the employees improve their performance. Such feedback should be confined to between the trainer and the trainee. Feedback on employee performance, after the training program, also helps the employee to adapt and employ the newly acquired knowledge and skills.

Repetition

Employees undergoing training on technical (operational skills) and behavioral skills (interpersonal skills, communication skills, etc) should be asked to recall their learning at regular intervals after the training program, so as to improve their learning.

Application

Most employees are indifferent to training because of the general belief that this learning is not applicable in their work. The management can ensure effective transfer of learning as follows:

- By increasing the similarity between the training and the job
- By providing maximum experience with the task being taught
- By ensuring that the general principles are understood
- By ensuring that the application of learning from training, on the job, is rewarded
- By customizing training sessions to match the job requirements of the participants
- By designing a training program that can win the confidence of the employees
- By making modifications in the training programs in order to incorporate the latest advancements in the area.

Check Your Progress-2

4. _____ can be described as the process of developing new knowledge, skills, attitude, and values through participation in formally organized learning situations and natural social interaction.
 - a. Teaching
 - b. Socialization
 - c. Learning
 - d. Development

5. Training loses its meaning if the learning is not applicable at work. This is known as the _____.
 - a. Lack-of-relevance problem
 - b. Transfer-of-learning problem
 - c. Stereotyping problem
 - d. Stringency problem
6. Training loses its meaning, if the learning is not applicable at work. Which of the following alternatives is **not** a method of minimizing the transfer-of-learning problem?
 - a. Modifying training programs to incorporate the latest advancements in the area
 - b. Increasing similarity between training and job
 - c. Standardizing training sessions for all employees in the organization
 - d. Designing training programs that can increase employee confidence

11.6. Employee Training Methods

The factors which determine the type of training methods that an organization chooses to use are: organizational culture, learning principles, content of the program, time factor, cost effectiveness, appropriateness of the facilities, employee preferences and capabilities, and trainer preferences and capabilities. The importance of these factors varies depending on the industry, the business, the job, and the criticality of the training. The training methods used by organizations can be basically categorized into *on-the-job methods* and *off-the-job methods*.

11.6.1 On-the-Job Training

This training takes place in a real job environment, where the trainee gets exposure to an actual work situation. Following are the benefits and limitations of the on-the-job training method.

Benefits:

The trainee gets hands-on experience.

- It helps the trainee to understand and imbibe the training lessons better.
- It helps in better application of the knowledge and skills gained during training.
- It can be used by organizations which do not have the resources to simulate work situations for training.

Block-3: Management and Development of Human Resources

Limitations:

- Any mistake committed while training on the job might result in a loss to the organization. While deciding on a training method, the organization needs to assess the extent of damage that may be caused by trainees.
- Some of the widely used on-the-job training methods are: job instruction training, apprenticeship and coaching, job rotation, and committee assignments.

Job Instruction Training

In this method, the trainer gives instructions to the trainee, while he/she performs the job on the site and any doubts that the trainee may have are cleared immediately. Usually, a trainer/supervisor/co-worker acts as the instructor. Following is the systematic sequence of activities in job instruction training.

- The trainee is prepared for the training and is provided with detailed information about the training, including its venue and time, and the job to be performed.
- The trainee is asked to give a demonstration of the job after the training is imparted in the form of instructions. This helps in assessing his/her learning and understanding of the instructions.
- The trainee is left on his/her own, with someone designated to call upon in case the employee needs any assistance, after the trainer is satisfied with his/her performance.

Apprenticeship and Coaching

Individuals who want to enter skilled trades (like carpentry) are required to go through formal apprenticeship, under experienced employees, before they join their regular jobs. The apprenticeship period typically ranges from one year to five years. Apprentices are not employees of the organization and are not governed by any of the laws that are applicable to regular employees.

Coaching is provided when required, is less formal than the apprenticeship program, and is provided as and when needed, rather than being designed as a structured program. It is similar to apprenticeship, where the coach acts as a model for the trainee. Participation, feedback, and knowledge transfer to the job are generally high in coaching.

Job Rotation

In this method, the trainee is placed in various jobs, across different functions in the organization. He/she therefore gains cross-functional knowledge and is

Unit 11 : Employee Training and Management Development

equipped to take up different jobs. This cross-functional knowledge that the trainee gains, helps the organization when there is an acute need for manpower. It also brings novelty and variety for the employees, who are accustomed to doing the same job.

Committee assignments

In this method, a group of employees is asked to find a solution to an actual organizational problem. The team-management skills, interpersonal skills, communication skills, problem-solving skills, and leadership skills of the trainees are developed while solving the problem as a group.

Activity: At Karunya Software Solutions (KSS), the Vice President (VP) (Operations) has decided to introduce a six-week on-the-job training program for fresh recruits. As the HR Manager, prepare a report for him, suggesting some on-the-job training methods that may be used. Describe these methods clearly to enable the VP to select an appropriate method.

Answer:

Check Your Progress-3

7. _____ takes place in the real job environment, where the trainee is exposed to actual work situations.
 - a. On-the-job training
 - b. Job instruction training
 - c. Case exercises
 - d. Off-site training
8. _____ is a popular on-the-job training method, in which the trainee is given instructions by the trainer, while performing a job on the site and any doubts of the trainee are cleared immediately with the trainer.
 - a. Job instruction training
 - b. Interaction training
 - c. Job rotation training
 - d. Committee assignment training
9. Job instruction training follows a systematic sequence of activities. Arrange the following activities in their proper sequence.
 - i. The trainees are left on their own with someone to be called upon when required.
 - ii. The trainee is prepared for the training and given clear information about the training to be imparted, the job to be performed and the venue and time of training.
 - iii. Training is imparted in the form of instruction.
 - iv. The trainee is asked to demonstrate the job.
 - a. ii – iii – iv – i
 - b. i – ii – iii – iv
 - c. iii – iv – ii – i
 - d. ii – i – iii – iv
10. In _____ method of on-the-job training, a group of employees is given an actual organizational problem and asked to find a solution.
 - a. Job instruction training
 - b. Apprenticeship training
 - c. Job rotation
 - d. Committee assignment

11. Which of the following is **not** an advantage of the committee assignment method?
- Improved team management skills
 - Improved problem-solving skills
 - Improved interpersonal skills
 - Improved educational qualifications
-

11.6.2 Off-the-Job Training

Off-the-job training refers to the training imparted away from the employee's immediate work area. An advantage of off-the-job training is that the employee is able to concentrate more on learning the job, than on performing it. When providing off-the-job training to its employees, the organization should consider the various facilities that have to be provided like classrooms for lectures, venues for creating an artificial work environment, refreshments, training materials, etc. Some of the various off-the-job training techniques are: classroom lectures, simulation exercises, and programmed instruction.

Classroom Lectures

This approach is widely used to help employees understand the rules, procedures, and policies of the organization and any changes in these. Active participation of the trainer and the trainee, use of audio-visual tools, and suitable demonstrations make the lecture method interesting and effective.

Simulation Exercises

In this method, the trainee is exposed to an artificial work situation that closely resembles the actual work situation. The different types of simulation exercises are as follows.

- **Case exercises:** In this method, trainees are asked to analyze a case study which is based on a real-life problem encountered in the organization and present their views on the problem and recommendations for solving it.
- **Experiential exercises:** In these exercises, the trainer simulates situations, where the employees are exposed to actual work problems. After the exercise has been completed, the trainer discusses the behavior of the employees during the exercise, with the trainees. The trainer evaluates the performance of the trainees and discusses the exercise with the help of theoretical concepts. Thus, the employees learn quickly and also understand their mistakes or problems easily.
- **Computer modeling:** Computer modeling is an expensive technique in which the job dimensions are programmed into the computer. The trainee

Block-3: Management and Development of Human Resources

gains real time experience by working on a computer and gets an opportunity to learn from his/her mistakes. This method is preferred in cases that involve formal programs, where a large number of employees are to be trained and the risks and costs involved in providing on-the-job training are very high.

- ***Vestibule training:*** In this method, the actual work conditions are simulated and the equipment used by the trainees is similar to what is used on the job. The trainees gain experience in using the equipment without any pressures of work or cost involved. Though expensive, this method helps employees to gain knowledge about the actual job situation and also reduces the problem of transferring learning to the job.
- ***Role playing:*** This is a method of human interaction that involves realistic behavior in imaginary situations. In role playing, the trainees assume the roles of different characters in the organizational context. This helps them improve their communication, people-management, and relationship management skills.

Programmed Instruction

In this method of training, the trainee has to answer a series of questions after studying the relevant material required for the accomplishment of the job. After answering a question, the trainee is given immediate feedback on whether it is right or wrong. If the answer is correct, he/she is asked to proceed to answer the next question. If the answer is wrong, he/she is asked to refer back to the material provided. This method promotes continuous interaction between the trainer and the trainee and helps in learning.

Check Your Progress-4

12. _____ is/are widely used for helping the employees understand the rules, regulations, procedures, and policies of the organization.
 - a. Job rotation
 - b. Apprenticeship
 - c. Classroom lectures
 - d. Vestibule training
13. _____ is a form of off-the-job training, where the trainee is exposed to an artificial work situation that closely resembles the actual work situation.
 - a. Classroom lecture
 - b. Simulation exercise

Unit 11 : Employee Training and Management Development

- c. Job rotation
 - d. Job instruction training
14. In the _____ method of off-the-job training, a real life problem encountered in the organization is presented to the trainees in the form of a study, and they are asked to analyze the situation and present their views and recommendations for solving the problem.
- a. Case exercise
 - b. Experiential exercise
 - c. Computer modeling
 - d. Role playing
15. Which of the following alternatives is one of the merits of the 'case exercise' form of training?
- a. It helps employees to develop problem-solving skills
 - b. It helps employees to learn through direct experience
 - c. It helps employees to develop people management skills
 - d. It helps employees to gain knowledge of the actual job situation
16. In _____ exercises, the trainee learns through direct experience in simulated situations.
- a. Case study
 - b. Experiential
 - c. Computer modeling
 - d. Apprenticeship
17. Which of the following statements is **definitely false** with regard to computer modeling as an off-the-job training program?
- a. It is used where the risk and cost of learning on the job is very high.
 - b. It is used in cases where a large number of employees are to be trained.
 - c. It is an inexpensive method of training.
 - d. It is a method of imparting off-the-job training.
18. _____ is described as a method of human interaction, involving realistic behavior in imaginary situations.
- a. Experimental exercise
 - b. Role playing
 - c. Vestibule training
 - d. Apprenticeship

Block-3: Management and Development of Human Resources

19. Which of the following is **not** a benefit which can be derived from role playing as an off-the-job training program?
- Developing technical skills
 - Improving communication skills
 - Improving people management skills
 - Developing relationship management skills
20. In the _____ method of training, the trainee is given a series of questions after he studies the relevant material required for the accomplishment of the job.
- Coaching
 - Computer modeling
 - Programmed instruction
 - Simulation exercise
21. A benefit of the programmed instruction method of off-the-job training is that it _____.
- Helps in improving the communicational skills of the trainee
 - Helps in improving the people management skills of the trainee
 - Promotes continuous interaction between the trainer and the trainee and facilitates learning
 - Helps in improving the relationship management skills of the trainee

11.7. Evaluation of the Training Program

An organization should evaluate the training program after implementing it. This evaluation helps the organization identify the areas for improvement, which can help it in designing future training programs. The factors which can be used to evaluate a training program are:

- Feedback given by the trainees on the content and process of training
- Knowledge acquired by the trainees as a result of training
- Changes in job performance or behavior observed in trainees, as a result of training
- Measurable improvements/results seen in individuals or the organization (like lower turnover, reduced absenteeism, fewer accidents, etc).

The method of evaluating the training program has to be determined at the planning stage itself. Evaluation helps in auditing and redesigning a training program. The success of the training provided is determined by the learning gained by the workers and the knowledge applied while doing the job. Follow-up studies are used to assess the retention and application of the knowledge gained in training. Assessments are conducted based on the evaluation criteria that are determined at the beginning of the training program.

11.8. Training and Development

Training and development are used synonymously, but are actually two different concepts; while training has a short-term perspective, development is oriented toward the future needs of the organization. Table 11.1 shows the differences between the two. Many companies undertake training and development activities simultaneously.

Table 11.1: Training Vs. Management Development

Training	Management Development
Training describes the acquisition of technical knowledge and skills.	Management development refers to the methods and activities designed to improve the skills of managers or prospective managers.
Training programs concentrate on a limited number of technical skills.	Management development activities usually focus on a broad range of skills.
Training helps employees to improve their performance in their present jobs.	Management development prepares employees to handle future responsibilities.

Check Your Progress-5

22. Evaluation of training programs helps an organization identify the areas for improvement, which can help in designing the future training programs. Some of the factors that can be used to evaluate training programs include:
- Trainees' feedback on the content and the process of training
 - Knowledge or learning acquired by the trainees as a result of training experience
 - Increase in the number of competitors in the company's businesses

Block-3: Management and Development of Human Resources

- iv. Measurable improvements or results seen in individuals or the organization like lower turnover, decreased absenteeism or fewer accidents
 - a. i, ii, iii
 - b. ii, iii, iv
 - c. i, iii, iv
 - d. i, ii, iv
23. The steps in evaluating a training program are given below. Arrange them in their proper sequence.
- i. Conducting follow-up studies
 - ii. Assessing the knowledge after training
 - iii. Assessing the knowledge prior to training
 - iv. Setting evaluation criteria
 - a. iii, ii, iv, i
 - b. iv, iii, ii, i
 - c. iii, iv, i, ii
 - d. iv, iii, i, ii
24. From the statements given below, identify the one that **best** describes management development.
- a. It is the systematic development of the knowledge, skills, and attitudes required by an individual to perform a given task or job adequately.
 - b. It refers to the methods or techniques designed to improve the skills of managers or prospective managers.
 - c. It can be described as the process of developing new knowledge, skills, attitude and values, through participation in formally organized learning situations and natural social interactions.
 - d. None of the above

11.9. Concept of Management Development

Management development relates to the development and growth of the intellectual, managerial, and people management skills of the employees in an organization, through a systematic process. It helps employees handle new challenges successfully. It enables managers to understand the various new cultures and customs of the global marketplace and also equips them with the latest technologies, tools, and techniques for obtaining improved quality and performance at their jobs.

11.9.1 Work Roles of a Manager

A manager is a person who conducts business, by making optimum utilization of the available resources. The decisions that managers take at different levels

in an organization? affect the business in one way or another. Managers perform the following roles in an organization:

- **Planning:** Planning helps in achieving the organizational objectives by providing the route to follow. Top-level managers are involved in designing strategic plans, middle-level managers in preparing tactical plans, and lower-level managers in making operational plans.
- **Monitoring performance:** A manager is responsible for managing the activities of his/her employees at the individual and the group levels. At the individual level, a manager has to:
 - Establish the training needs of each of his/her employees and monitor the training activities
 - Encourage employees to participate in decision making by delegating work to them
 - Provide timely feedback to the employees, give suggestions for improving their performance, and reward good performers and high contributors
 - Involve employees in improving their individual areas of work, by helping them gain more knowledge and skills.
 - Take an interest in the development and growth of individual employees.
 - Provide adequate opportunities for improvement of employee skills.At the group level, a manager has to:
 - Coordinate the activities of interdependent groups
 - Establish the areas of responsibility for each group and monitor their performance
 - Facilitate the change process in the organization.
- **Communication and development:** A manager should develop people management skills to communicate with the employees of his/her department, other departments, clients, customers, and superiors. Further, he/she should possess good analytical skills to evaluate the available opportunities in the external environment and should upgrade his/her skills on a regular basis. A manager should also be able to take risks to make the best of the available opportunities.

Check Your Progress-6

25. The skills that a management development program aims to develop include:
- Technical and people skills
 - Technical and communication skills
 - Technical and managerial skills
 - Intellectual and managerial skills
26. _____ is an important activity in any business, as it helps in making a roadmap for achieving organizational objectives.
- Communication
 - Monitoring performance
 - Planning
 - Training
27. A manager has to manage the activities of the employees at the individual, as well as at the group levels. Activities undertaken by the manager at the individual level include:
- Establishing the training needs of each of his/her employees
 - Encouraging employees to participate in decision-making by delegating work to them
 - Providing feedback to the employees and giving them suggestions for improving their performance
 - Developing overall systems and procedures for performance appraisal
- Only ii and iv
 - Only i, ii, iii
 - Only ii, iii, iv
 - i, ii, iii, iv
28. Which of the following is **definitely not** an activity performed by the manager at the group level?
- Coordinate the activities of interdependent groups
 - Establish the areas of responsibility for each group and monitor performance
 - Provide feedback on performance to individual employees
 - Facilitate change process in the organization

29. Which of the following statements are **definitely true** about management development programs?
- They help employees handle new challenges successfully.
 - They help managers understand various cultures and customs so as to become an integral part of the global market.
 - They help managers equip themselves with latest technologies for improved quality and performance.
 - They concentrate on improving the technical skills of employees in order to improve organizational performance.
- Only i, ii, iii
 - Only ii, iii, iv
 - Only iii, iv, i
 - i, ii, iii, iv

11.9.2 Objectives of Management Development

Following are the main objectives of management development programs:

- Improving the performance of the managers
- Enabling the senior managers to have an overall view about the organization and also equip them with the necessary skills to coordinate with the various units of the organization
- Identifying employees with executive talent and developing them for occupying managerial positions in the future
- Motivating the managers to perform more effectively in accordance with the organizational goals
- Updating managers from time-to-time about the latest changes and developments in their respective fields
- Improving the analytical and logical skills of employees
- Providing insights into conceptual issues relating to economic, technical, and social areas
- Improving human relations skills and encouraging creative thinking.

11.9.3 Process of Management Development

Following are the steps involved in the management development process.

- The organizational objectives are reviewed, as they provide a framework to determine the managerial development needs.

Block-3: Management and Development of Human Resources

- ii. The organization's current management resources are evaluated. This helps in determining any shortages or deficiencies in terms of knowledge and skills that may affect the future plans of the organization. A managerial/executive inventory is then prepared which, when matched with the future management needs of the organization, helps in identifying the areas for management development.
- iii. The management development methods are then determined. These methods help an organization overcome the shortages and deficiencies, identified in the previous stage.
- iv. The managerial developmental needs are assessed by using assessment centers. These centers assess the ability of the manager to carry out a job and identify the areas that require development.
- v. The development activities are determined. These are essential to enhance the managerial performance and should be designed to leverage on the strengths and remove the weaknesses of each individual manager.

After implementing the development activities, the managers are evaluated in terms of the observable changes in their behavior and managerial performance. This helps in determining the effectiveness of the development program and brings out its weaknesses. This information is further used to redesign and improve future programs. Following are the basic prerequisites for a successful management development program.

- Management development should be considered as an important and continuous activity in the organization.
- Managers should encourage and train their subordinates to assume greater responsibilities.
- Management development should be in alignment with the organizational and the individual needs.
- Managers should be motivated through special reward systems to spend time on developing themselves as well as their subordinates.
- As a part of the management development program, the right candidates should be selected for managerial levels.

There should be a realistic timetable in line with the needs of the company, which should take into consideration the resources available and to be acquired.

Check Your Progress-7

30. From the alternatives given below, identify the one that will **not** be an objective of a management development program?
- a. Motivating the management to perform more effectively in accordance with the organizational goals
 - b. Updating the managers from time to time about the latest changes and development in their respective fields
 - c. Ensuring proficiency in financial and management accounting
 - d. Improving human relations skills and encouraging creative thinking
31. _____ can be used to identify the developmental needs of the managers. They assess a manager's ability to perform a job, and identify the areas requiring development.
- a. Assessment centers
 - b. Training centers
 - c. HR departments
 - d. Test centers
32. Which of the following statements can be considered to be **incorrect**, with respect to the basic prerequisites for a successful management development program?
- a. Management development should take place only when a manager feels it is necessary.
 - b. Managers must take up the responsibility of developing their subordinates for greater responsibilities.
 - c. Management development must match the needs of the organization and the individual.
 - d. Managers must be motivated to invest time in their own development and that of their subordinates, using special reward systems.

11.10. Management Development Methods

The management development methods can be divided into two types, namely, on-the-job and off-the-job. Exhibit 11.2, tells us how companies like Dell conduct managerial development programmes to develop internal and external leaders.

Exhibit 11.2: Dell Technologies' Mentor Connect Programme

Dell's Mentor Connect program offers mentorship opportunities for female leaders. Through this innovative initiative, they guide and advise their mentee groups on, i) network building, ii) how to develop new skills, and create iii) insights on negotiations, personal branding and other professional skills.

By participating in leadership development discussions led by senior representatives from participating companies committed to diversity and inclusion, mentees develop both the hard and soft skills necessary for the next stage in their career, including networking and company-to-company best practice exchange. Business leaders also leverage the program to develop their pipeline of talent and increase collaboration throughout the organization

Source: <https://corporate.delltechnologies.com/en-in/social-impact/cultivating-inclusion/developing-retaining-empowered-workforce/supporting-empowering-workforce.htm>, Accessed on October 07, 2021

11.10.1 On-the-Job Development Methods

On-the-job development methods are those which help the employee to improve his/her skills in the actual work environment, during the course of his/her work. The most common on-the-job development methods are coaching, job rotation, understudy assignments, and multiple management.

Coaching

Coaching involves one person playing an active role in guiding another. The coach/trainer teaches the trainee, what to do and how to do it, and corrects any mistakes that he/she makes. There is a difference between counseling and coaching. Counseling involves interaction and discussion between two people on emotional aspects like fears and aspirations. Coaching, on the other hand, provides guidance to the employee on all job-related areas. The advantage of coaching is that it involves a high level of interaction and quick feedback on performance. The disadvantage, however, lies in the fact that though the trainer may be an outstanding performer, he/she may not be an effective coach. Second, the trainee cannot develop beyond the capabilities of the trainer/coach.

Job Rotation

When a manager is given new jobs, across various departments in the organization, he/she develops diversified skills and knowledge. This helps in

Unit 11 : Employee Training and Management Development

reducing the monotony of work, improves inter-departmental cooperation, and stimulates the development of new and creative ideas. The disadvantage of this method is that an inexperienced, ill-equipped employee in a new work area can lower productivity in the organization. Second, frequent and short-term job rotations will not lead to meaningful skill development, and can sometimes even de-motivate employees, who want to specialize in a job.

Understudy Assignments

This method involves a senior manager, selecting and training a trainee manager from among his/her subordinates, who in future will be able to handle the responsibilities of the senior manager. The advantage of this method is that an immediate replacement (either temporary or permanent) is available, when the senior manager takes a break or leaves the organization. However, this method may lead to dissatisfaction and unhealthy competition among the other subordinates, who have not been selected for the understudy assignment.

Multiple Management

Suitable for developing only middle and senior level managers, this technique allows junior managers to participate in board and committee meetings, usually attended only by senior and top level managers. This gives the junior managers an opportunity to understand and learn the way organizational problems are solved. The junior managers are also encouraged to share their views. The senior managers get the chance to spot the right talent for management development. It is a relatively inexpensive method, where a number of managers can be developed in a short period of time.

Activity: Mr. Ravi Mehta works at a Chennai-based garments manufacturing company. After working as the production manager of the company for five consecutive years, the company decided to develop and diversify his management skills. He was appointed as head of the marketing and sales department. What is this method of management development adopted by the company known as? What are the advantages of this method? Distinguish this method of management development from the other on-the-job methods.

Answer:

Check Your Progress-8

33. _____ is an on-the-job development method, where one manager plays an active role in guiding another manager by providing direction, advice, criticism, and suggestions.
- Multiple management
 - Job rotation
 - Coaching
 - Understudy assignment
34. One of the major advantages of coaching as an on-the-job development method is that _____.
- It helps to improve the problem solving skills of employees.
 - It has a high level of interaction and quick feedback on performance.
 - The trainee develops highly specialized skills.
 - It ensures the availability of an immediate replacement when the senior manager has to take a break or leave the organization.
35. _____ is an on-the-job method of development, where a manager is posted to new jobs across various departments in the organization, so that he/she develops diversified skills and knowledge. Interactions with colleagues in different departments provide an enriching experience of various day to day problems.
- Under study
 - Multiple management
 - Role play
 - Job rotation
36. Job rotation plays an important role in developing the skill set of a manager. Which of the following may be considered to be the **advantages** of job rotation in management development?
- Stimulates the development of new and creative ideas
 - Reduces monotony of work
 - Interaction with employees of different departments provides enriching experience of various day-to-day problems
 - Increases productivity by promoting competition between departments
- Only i, ii, iii
 - Only ii, iii, iv
 - Only iii, iv, i
 - i, ii, iii, iv

37. Which of the following methods is definitely **not** an 'on-the-job' development method?
- a. Multiple management
 - b. Transactional analysis
 - c. Coaching
 - d. Understudy assignment
38. _____ is the method of development, where a senior manager selects and trains a trainee manager from among his/her subordinates, who at a future time will be capable of handling the senior manager's responsibilities.
- a. Multiple management
 - b. Job rotation
 - c. Coaching
 - d. Understudy assignment
39. One of the basic disadvantages of the _____ method is the dissatisfaction and unhealthy competition that it may give rise to in other subordinates, who have not been selected for the management development program.
- a. Transactional analysis
 - b. Sensitivity training
 - c. Understudy assignment
 - d. Multiple management
40. _____ is/are an inexpensive method of management development, where junior managers are allowed to attend and participate in meetings that are usually attended by middle and senior managers.
- a. Multiple management
 - b. Business games
 - c. Conferences
 - d. Incident method

11.10.2 Off-the-Job Development Methods

Off-the-job development methods try to fill the gaps, created as a result of the limitations of on-the-job methods. The various off-the-job training methods are: simulation exercises, sensitivity training, transactional analysis, conferences, and lectures.

Block-3: Management and Development of Human Resources

Simulation Exercises

Simulations are widely used for management development. Following are some of the most widely used simulation exercises.

- **Case study:** Case studies, prepared on the basis of the actual experiences of organizations, help the candidates understand the real problems faced by managers in organizations. The trainees study, analyze, and discuss the case; identify the apparent or hidden problems; identify the root causes; and try to suggest probable solutions from which they eventually select the most viable one. This method is characterized by stimulating discussions among participants and gives the participants a good opportunity to sharpen their decision making, analytical, problem-solving, and judgmental skills.
- **Business games:** In this method, the trainees are divided into different groups or teams playing the roles of competing firms in a simulated market. Each team studies, discusses, and arrives at decisions regarding production, pricing, advertising, etc. The teams react to the decisions of their competitors and develop new strategies to beat the competition. The immediate feedback from other teams at the end of the exercise provides information about the performance of each team with respect to the others. Apart from improving interaction and cooperation among the participants, this method tries to improve their strategic thinking, leadership skills, and their ability to work under stress.
- **Role playing:** In this method, participants perform roles to solve problems that are common in real-life situations. The entire play is recorded and the trainee can see his/her own performance. Role playing helps a participant to gain a better understanding of people and business situations and to develop human relations skills through direct experience and practice. Scenarios that depict a grievance discussion, management-union negotiation, an employment interview, a sales presentation, etc., are commonly used in role playing.
- **Incident method:** The objective of this method is to develop the intellectual ability, practical judgment, and social awareness of the employees. Each employee group is given an actual 'incident', which occurred in different organizations. Individual employees in the group study the incident (assuming the role of the problem-solver) for analyzing, identifying the problem and the probable causes, and suggesting solutions. Later, a mutual discussion between the group members takes place to arrive at a final decision.
- **In-basket method:** In this method, various aspects of a manager's job are simulated. The trainee takes on these duties of the manager and performs

the exercise. This is done to ensure that he/she becomes acquainted with the organization and the materials in the manager's in-basket (like memos, letters, reports, etc.), and responds to the items as if he/she was actually on the job. The trainee has to indicate all actions or plans for action and explain in writing the approach to each issue.

Sensitivity Training

Also known as laboratory training, this method involves changing individual behavior through unstructured group interaction. The main objective of sensitivity training is to develop among the group members, an understanding of themselves and of their relationships with others. In this method, a group of 10-15 employees assemble in an unstructured manner. The group does not have a leader or planned agenda or goal. A case study or role-play is given to initiate interaction among the group members. After this, the members are asked to discuss the attitudes, reactions, and behavior of each participant. They are allowed to assess their own behavior and performance and at the same time openly discuss the behavior of the other group members. Sensitivity training has several advantages. These are:

- Employees can learn more about their weaknesses and emotions.
- They learn to be sensitive and empathetic toward others.
- They gain insights into how the other members of the group perceive them and how they should modify their behavior to be more effective.
- Conflicts can be lowered, since each person speaks openly to others in the group.
- Every individual tries to empathize with the feelings of others and this can result in a friendly situation.
- It promotes greater openness, improves listening skills, increases tolerance for individual differences, and improves conflict resolution skills.

The disadvantages of the sensitivity training method are that it does not directly deal with the business and financial goals of the organization. It may also result in psychological strain or disturbances, due to the emotional involvement of the trainees. Also, trainees show restraint in giving their feedback and try to empathize with the group members. 'One-to-one sensitivity training' is a new tool that is being used by organizations to prevent or correct harassment or other inappropriate behaviors by managers. In this method, the employee who is posing a problem to his/her colleagues and subordinates, because of his/her behavior is sensitized to their problems. This is done on a one-to-one basis and not in a group.

Block-3: Management and Development of Human Resources

Transactional Analysis

According to the transactional analysis, the personality of an individual comprises three ego states, namely the parent, the child, and the adult ego states. In reality, these states are not concerned with age; they reflect various aspects of the human ego. The parent ego state is characterized by a feeling of superiority and authority. A person in the child ego state is either obedient or manipulative. A person in the adult ego state is objective and rational. According to the transactional analysis theory, the child and parent ego states feel and react immediately to situations, whereas the adult ego state thinks or processes data logically, before taking any further action. This tool provides a framework for trainee managers to acquire an 'adult ego' state, which would help them perform well in a cross-cultural and diverse environment, by enhancing sensitivity and awareness.

Conferences

A conference is a meeting of people to discuss a topic of common interest. It enables the participants to develop the ability to exchange ideas and change their views and attitudes. The key player in a conference is the conference leader. He/she should ensure that the discussion does not deviate from the main issues. Second, he/she should encourage the active participation of all members and avoid domination by a few members. Participants develop the ability to express their views openly. It is useful in a situation, where a problem has to be studied and analyzed from varying viewpoints.

Lectures

A lecture is the simplest technique of presenting and explaining a series of facts, principles, and concepts. The lecturer organizes the relevant information and presents it to the trainees in the form of a lecture. It helps managers acquire knowledge and develop their conceptual and analytical skills. Lectures are direct means of communication and can be used effectively for a large number of people. Another advantage of lectures is that the overview and scope of the subject can be presented clearly, in a relatively short period of time.

Check Your Progress-9

41. In the _____ method of management development, the trainees are divided into teams, which play the role of management teams of competing firms in a simulated situation.
- Role playing
 - Business games

Unit 11 : Employee Training and Management Development

- c. In-basket
 - d. Transactional analysis
42. Which of the following is **not** an area which the incident method of management development aims at developing?
- a. Communication skills
 - b. Intellectual ability
 - c. Practical judgment
 - d. Social awareness
43. In the _____ method of management development, each employee is given a written account, usually of a real-life situation occurring in a certain organization. The employee analyzes the situation, identifies the problems and their probable causes, and suggests solutions from the perspective of a person, who has to tackle the situation in actuality.
- a. In-basket
 - b. Incident
 - c. Role playing
 - d. Case study
44. Which of the following statements about sensitivity training is definitely **incorrect**?
- a. It gives the employees a chance to learn their weaknesses and emotions.
 - b. It enables employees to learn to be more sensitive and empathetic towards others.
 - c. It directly deals with the business and financial goals of the organization.
 - d. It reduces conflicts as each person gets the chance to speak openly to others.
45. The basic theory behind _____ is that an individual's personality comprises three ego states, namely, the parent, the child, and the adult ego states.
- a. Transactional analysis
 - b. Sensitivity training
 - c. Multiple management
 - d. Understudy assignment

Block-3: Management and Development of Human Resources

46. A/An _____ is a 'meeting of people to discuss a topic of common interest'.
- Lecture
 - Confrontation
 - Interview
 - Conference
47. Among management development methods, _____ can be considered to be the simplest way of presenting and explaining a series of facts, principles, and concepts.
- Sensitivity training
 - Lectures
 - Incident method
 - Role playing

11.11. Evaluating a Management Development Program

Companies spend a lot of time and resources on the training and development of their employees. It is therefore, important to evaluate these programs to judge their effectiveness. Following are some of the strategies that can be used in evaluating a management development program.

- **Cost-benefit analysis:** A cost-benefit analysis measures the benefits from the development program, against the monetary costs of development (costs of materials, supplies, lost work time, travel expenses, consultant fees, etc). Though it is easy to arrive at the monetary costs, it is difficult to translate the benefits into economic terms.
- **Identifying gaps:** A management development program can be evaluated by identifying the gap between the actual and the desired level of performance. The effectiveness of this strategy would, however, depend on the quality of objectives set.
- **Evaluation levels:** In the late 1950's, D. L. Kirkpatrick developed a model for evaluating workplace education programs, which had four levels of evaluation. These levels namely response, learning, performance, and results, measure the participant's level of satisfaction, extent of his/her learning, change in the participant's behavior, and the impact of the program on the organizational performance, respectively.

Check Your Progress-10

48. A _____ helps in analyzing and evaluating managing development programs by measuring the gains from the program against its costs.
- SWOT analysis
 - Cost-value analysis
 - Cost-benefit analysis
 - Profitability analysis

11.12. Summary

- A successful training program improves employee performance, which in turn enhances the performance of the organization. The major purposes of training are: improving employee performance, updating employee skills, avoiding managerial obsolescence, preparing for promotion and managerial succession, retaining and motivating employees, and creating an efficient and effective organization.
- Training needs are determined based on the needs of the organization and the employees. The major areas in which training is generally provided are: company policies and procedures, skills, human relations, problem solving, and managerial and supervisory skills.
- Learning is the process of developing new knowledge, skills, attitudes, and values through participation in formally organized learning situations and natural social interaction. The principles of learning which should be applied in a training program for it to be effective are: motivation, participation, feedback, repetition, and application.
- There are two types of training methods – on-the-job and off-the-job. On-the-job training refers to the training imparted to an employee in the actual work situation, where he/she learns by doing and through direct experience. Examples of methods used are: job instruction, apprenticeship and coaching, job rotation, and committee assignments. Off-the-job training refers to the training given to an employee away from the immediate work area. Examples of methods used are: classroom lectures, simulation exercises, and programmed instruction.

Block-3: Management and Development of Human Resources

- After a training program is implemented, it should be evaluated so that areas of improvement can be identified. This can help in designing future training programs.
- Apart from training, an organization should also concentrate on management development. Management development is a systematic process of growth and development by which employees develop their skills and abilities to manage.
- The management development methods can be categorized into on-the-job development, and off-the-job development. Some of the widely used on-the-job development methods are: coaching, job rotation, under study assignments and multiple management. Off-the-job development methods include simulation exercises, sensitivity training, transactional analysis, conferences, and lectures.
- The effectiveness of development programs needs to be evaluated as organizations invest a great deal of time and resources in them. Such evaluation may be done by a cost-benefit analysis, identifying gaps between objectives set and achieved, and by using D. L. Kirkpatrick's model for evaluating workplace education programs.

11.13. Glossary

- **Training:** The systematic development of the knowledge, skills, and attitudes required by an individual to perform adequately a given task or job. The training methods used by organizations can be basically categorized into on-the-job methods and off-the-job methods.
- **On-the-job training:** Training takes place in a real job environment where the trainee gets exposure to an actual work situation.
- **Job instruction training (on-the-job training method):** In this method, the trainer gives instructions to the trainee, while he/she performs the job on the site and any doubts that the trainee may have are cleared immediately. Usually, a trainer/supervisor/co-worker acts as the instructor.
- **Apprenticeship:** Individuals who want to enter skilled trades are required to go through formal apprenticeship under experienced employees before they join their regular jobs. The apprenticeship period typically ranges from one year to five years. Apprentices are not employees of the organization and are not governed by any of the laws that are applicable to regular employees.
- **Coaching (on-the-job training method):** Coaching is less formal than the apprenticeship program, and is provided as and when needed, rather than being designed as a structured program. It is similar to apprenticeship,

where the coach acts as a model for the trainee. Participation, feedback, and knowledge transfer to the job are generally high in coaching.

- **Job rotation (on-the-job training method):** In this method, the trainee is placed in various jobs, across different functions in the organization. He/she therefore gains cross-functional knowledge and is equipped to take up different jobs. This cross-functional knowledge that the trainee gains, helps the organization when there is an acute need for manpower. It also brings novelty and variety for the employees who are accustomed to doing the same job.
- **Committee assignments (on-the-job training method):** In this method, a group of employees is asked to find a solution to an actual organizational problem. The team-management skills, interpersonal skills, communication skills, problem-solving skills, and leadership skills of the trainees are developed, while solving the problem as a group.
- **Off-the-job training:** Training imparted away from the employee's immediate work area.
- **Classroom lectures (off-the-job training method):** This approach is widely used to help employees understand the rules, procedures, and policies of the organization and any changes in these. Active participation of the trainer and the trainee, use of audio-visual tools, and suitable demonstrations make the lecture method interesting and effective.
- **Simulation exercises (off-the-job training method):** Trainee is exposed to an artificial work situation that closely resembles the actual work situation.
- **Case exercises (sub-type of simulation exercise, an off-the-job training method):** Trainees are asked to analyze a case study, which is based on a real-life problem encountered in the organization, and present their views on the problem and recommendations for solving it.
- **Experiential exercises (sub-type of simulation exercise, an off-the-job training method):** The trainer simulates situations where the employees are exposed to actual work problems. After the exercise has been completed, the trainer discusses the behavior of the employees during the exercise, with the trainees. The trainer evaluates the performance of the trainees and discusses the exercise with the help of theoretical concepts. Thus, the employees learn quickly and also understand their mistakes or problems easily.
- **Computer modeling (sub-type of simulation exercise, an off-the-job training method):** In this, the job dimensions are programmed into the computer. The trainee gains real time experience by working on a computer and gets an opportunity to learn from his/her mistakes.

Block-3: Management and Development of Human Resources

- **Vestibule training (sub-type of simulation exercise, an off-the-job training method):** In this method, the actual work conditions are simulated and the equipment used by the trainees is similar to what is used on the job. The trainees gain experience in using the equipment, without any pressures of work or cost involved.
- **Role playing (sub-type of simulation exercise, an off-the-job training method):** The trainees assume the roles of different characters in the organizational context, thus enabling them to enhance their communication, people-management, and relationship management skills.
- **Programmed instruction (off-the-job training method):** In this, the trainee has to answer a series of questions, after studying the relevant material required for the accomplishment of the job. After answering a question, the trainee is given immediate feedback on whether it is right or wrong. If the answer is correct, he/she is asked to proceed to answer the next question. If the answer is wrong, he/she is asked to refer back to the material provided.
- **Management development:** It relates to the development and growth of the intellectual, managerial, and people management skills of the employees in an organization through a systematic process.
- **On-the-job management development methods:** These help the employee to improve his/her skills in the actual work environment, during the course of his/her work.
- **Coaching (on-the-job management development method):** It involves one manager playing an active role in guiding another manager. The coach/trainer teaches the trainee what to do and how to do it, and corrects any mistakes that he/she makes.
- **Job rotation (on-the-job management development method):** A manager is given new jobs across various departments in the organization, thus leading to the development of diversified skills and knowledge.
- **Understudy assignments (on-the-job management development method):** This method involves a senior manager selecting and training a trainee manager from among his/her subordinates, who in future will be able to handle the responsibilities of the senior manager.
- **Multiple management (on-the-job management development method):** This technique allows junior managers to participate in board and committee meetings, usually attended only by senior and top level managers. This gives the junior managers an opportunity to understand and learn the way organizational problems are solved.

- **Simulation exercises (off-the-job management development method):** Simulations are widely used for management development.
- **Case study (sub-type of simulation exercise, an off-the-job management development method):** Case studies, prepared based on the actual experiences of organizations, help the candidates understand the real problems faced by managers in organizations. The trainees study, analyze, and discuss the case; identify the apparent or hidden problems; identify the root causes; and try to suggest probable solutions from which they eventually select the most viable one.
- **Business games (sub-type of simulation exercise, an off-the-job management development method):** The trainees are divided into different groups or teams playing the roles of competing firms in a simulated market. Each team studies, discusses, and arrives at decisions regarding production, pricing, advertising, etc. The teams react to the decisions of their competitors and develop new strategies to beat the competition. The immediate feedback from other teams at the end of the exercise provides information about the performance of each team with respect to the others.
- **Role playing (sub-type of simulation exercise, an off-the-job management development method):** Participants perform roles to solve problems that are common in real-life situations. The entire play is recorded and the trainee can see his/her own performance.
- **Incident method (sub-type of simulation exercise, an off-the-job management development method):** Each employee group is given an actual 'incident', which occurred in different organizations. Individual employees in the group study the incident (assuming the role of the problem-solver) for analyzing, identifying the problem and the probable causes, and suggesting solutions. Later, a mutual discussion between the group members takes place to arrive at a final decision.
- **In-basket method (sub-type of simulation exercise, an off-the-job management development method):** Various aspects of a manager's job are simulated. The trainee takes on these duties of the manager and performs the exercise. This is done to ensure that he/she becomes acquainted with the organization and the materials in the manager's in-basket (like memos, letters, reports, etc.), and responds to the items as if he/she was actually on the job. The trainee has to indicate all actions or plans for action and explain in writing the approach to each issue.
- **Sensitivity (or laboratory) training (off-the-job management development method):** A group of 10-15 employees assemble in an

Block-3: Management and Development of Human Resources

unstructured manner. The group does not have a leader or planned agenda or goal. A case study or role-play is given to initiate interaction among the group members. After this, the members are asked to discuss the attitudes, reactions, and behavior of each participant. They are allowed to assess their own behavior and performance and at the same time openly discuss the behavior of the other group members.

- **Transactional analysis (off-the-job management development method):** According to the transactional analysis, the personality of an individual comprises three ego states -- the parent, the child, and the adult ego states. In reality, these states are not concerned with age; they reflect various aspects of the human ego. The parent ego state is characterized by a feeling of superiority and authority. A person in the child ego state is either obedient or manipulative. A person in the adult ego state is objective and rational. According to the transactional analysis theory, the child and parent ego states feel and react immediately to situations, whereas the adult ego state thinks or processes data logically before taking any further action. This tool provides a framework for trainee managers to acquire an 'adult ego' state, which would help them perform well in a cross-cultural and diverse environment, by enhancing sensitivity and awareness.
- **Conferences (off-the-job management development method):** A conference is a meeting of people to discuss a topic of common interest. It enables the participants to develop the ability to exchange ideas and change their views and attitudes.
- **Lectures (off-the-job management development method):** A lecture is the simplest technique of presenting and explaining a series of facts, principles, and concepts. The lecturer organizes the relevant information and presents it to the trainees in the form of a lecture.
- **Cost-benefit analysis (strategies that can be used in evaluating a management development program):** It measures the benefits from the development program, against the monetary costs of development (costs of materials, supplies, lost work time, travel expenses, consultant fees, etc).
- **Identifying gaps (strategies that can be used in evaluating a management development program):** A management development program can be evaluated by identifying the gap between the actual and the desired level of performance.
- **Evaluation levels (strategies that can be used in evaluating a management development program):** In the late 1950's, D. L. Kirkpatrick developed a model for evaluating workplace education programs which had four levels of evaluation -- response, learning, performance, and results. These levels measure the participant's level of

satisfaction, extent of his/her learning, change in the participant's behavior, and the impact of the program on the organizational performance, respectively.

11.14. Self-Assessment Test

1. A successful training program improves the performance of an employee, which in turn enhances organizational performance. Define training and explain the purpose of training.
2. Before laying out the plan for training, it is important to assess the employee needs and then train the employees accordingly. Explain. What are the major areas in which employees are normally trained in an organization?
3. A number of factors determine the choice of the type of training methods used by an organization. What are these factors? Explain the various methods of training used by organizations.
4. After a training program has been implemented, it has to be evaluated to identify the areas of improvement. This can help in designing future training programs. What are the various factors that can be used to evaluate a training program?
5. While training helps employees improve their performance in current jobs, development grooms them to handle future responsibilities. Explain the concept of management development. Also, discuss the roles played by a manager in an organization.
6. Management development methods can be divided into two types – on-the-job and off-the-job. Explain these methods. How can a management development program be evaluated?

11.15. Suggested Reading/Reference Material

1. Vikrant Verma. "Human Resource Planning & Development", Thakur publication pvt.ltd, January 2020
2. Gary Dessler & Biju Varkkey Human Resource Management. Pearson Education; Sixteenth edition, 2020
3. Pravin Durai. Human Resource Management. Pearson Education, 2020
4. Case Studies in Human Resource Management. Dreamtech Press, 2020
5. L M Prasad. Human Resource Management. Sultan Chand & Sons, 2018
6. Raymond A.Noel, Amitabh Deo Kodwani, Employee Training and Development, 7th edition, McGrawhill, 2018
7. K. Aswathappa. Human Resource Management: Text and Cases. Tata McGraw Hill, 2016

Block-3: Management and Development of Human Resources

8. Margaret Rogers, A Better Way to Develop and Retain Top Talent, www.hbr.org. January 20, 2020
9. Steve Graveski, Where companies go wrong with learning and development, www.hbr.org, October 02, 2019

11.16. Answers to Check Your Progress Questions

Following are the answers to the Check Your Progress questions given in the Unit.

1. (a) The systematic development of the knowledge, skills and attitudes required by an individual to perform adequately a given task or job

With the advancements in technology and the spread of business on a global scale, it has become important for organizations to concentrate on training their employees to meet global challenges. Michael Armstrong defines training as “the systematic development of the knowledge, skills and attitudes required by an individual to perform adequately a given task or job.”

2. (d) i, ii, iii, and iv

The main objectives of training are: updating employee skills, improving employee performance, preparing for promotion and managerial succession, avoiding managerial obsolescence and creating an effective and efficient organization.

3. (c) Identifying the salary levels of groups of employees

Training needs can be assessed by determining the organizational goals, prioritizing the tasks in meeting these goals, determining the skills required by employees, and identifying deficiencies in the skill and knowledge levels of employees.

4. (c) Learning

Learning is an essential ingredient of any training program and determines its success. It can be described as the process of developing new knowledge, skills, attitude and values through participation in formally organized learning situations and natural social interaction. For any training and development program to be effective, the training methods should match the participants' learning styles.

5. (b) Transfer-of-learning problem

One of the main reasons for employee indifference towards training is the lack of conviction that the learning can be applied in their work. Transfer-of-learning problem is especially critical in off-site instruction.

This problem is not very severe for technical training, because similar technology is used on the job, as well as during training.

6. (c) Standardizing training sessions for all employees in the organization

One of the ways in which the transfer-of-learning problem can be minimized is by customizing training sessions to match the requirements of participants.

7. (a) On-the-job training

On-the-job training takes place in the real job environment. The trainee gets hands-on experience, which helps him understand and imbibe the training lessons better. This also helps in better application of the knowledge and skills gained during training.

8. (a) Job instruction training

Job instruction training method is very popular, because the trainee can discuss his problems in performing the job immediately with the trainer.

9. (a) ii – iii – iv – i

The activities in job instruction training may be sequentially arranged as: preparing the trainee for the training, imparting training in the form of instruction and asking the trainee to demonstrate the job, and finally leaving the trainee on his own with someone to be called upon when required.

10. (d) Committee assignment

In committee assignments, the trainees develop their team-management skills, interpersonal skills, communication skills, problem-solving skills and leadership skills while solving the problem as a group.

11. (d) Improved educational qualifications

In the committee assignment method, the trainees develop their team management skills, interpersonal skills, communication skills, problem-solving skills and leadership skills, while solving problems as a group.

12. (c) Classroom lectures

This approach is widely used for helping the employees understand the rules, procedures and policies of the organization or any amendments therein.

13. (b) Simulation exercise

Simulation exercises are usually undertaken in situations, where the organization cannot afford any mistakes by the trainee during on-the-job training. They can be in the form of case exercises, experiential exercises, complex computer modeling, vestibule training, and role-playing.

14. (a) Case exercise

In the case exercise method of off-the-job training, a real-life problem encountered in the organization is presented to the trainees in the form

Block-3: Management and Development of Human Resources

of a case study. They are then asked to analyze the case and present their views and recommendations for solving the problem. They also have to suggest alternative courses of action to provide for contingencies that might arise.

15. (a) It helps employees to develop problem-solving skills.

In this method, a real-life problem encountered in the organization is presented to the trainees in the form of a case study. They are then asked to analyze the case and present their views and recommendations for solving the problem. They also have to suggest alternative courses of action to provide for contingencies that might arise.

16. (b) Experiential

In experiential exercises the trainee, with the aid of simulated situations learn through direct experience. For example, the trainer can create a situation where the employees are required to work in teams. After the exercise is complete, the trainer discusses the behavior of the employees during the exercise, with the group. He apprises the trainees about their performance and discusses the exercise with the help of theoretical concepts.

17. (c) It is an inexpensive method of training.

Computer modeling is usually used where the cost of any mistake by the trainee is huge and can even be fatal, for example in the case of pilots and defense personnel. In this method, the trainee has the opportunity to learn from his mistakes. However, computer modeling is very expensive and its use is justified only in cases, involving formal programs where a large number of employees are to be trained, and the risk and costs of allowing the employee to learn on the job are very high.

18. (b) Role playing

In role playing, the trainees assume the roles of different characters in the organizational context.

19. (a) Developing technical skills

A role play basically helps in improving the communication, people-management and relationship management skills of the trainees.

20. (c) Programmed instruction

In this method of training, the trainee is given a series of questions after he studies the relevant material required for the accomplishment of the job. After the trainee answers a question, he is given immediate feedback whether it is right or wrong. If the answer is correct, he is asked to proceed to the next question but if it is wrong, he is asked to refer back to the material.

21. (c) Promotes continuous interaction between the trainer and the trainee and facilitates learning

The programmed instruction method promotes continuous interaction between the trainer and the trainee and facilitates learning.

22. (d) Only i, ii, and iv

After a training program has been implemented, the organization should evaluate the program. This evaluation helps the organization identify the areas for improvement, which can help in designing future training programs. The basic yardstick to measure the success of a training program is the learning benefits that have accrued to the trainees.

23. (b) iv, iii, ii, i

The evaluation process starts with setting the evaluation criteria, based on the objectives of the program. This is done before the beginning of the training program. The knowledge level of the trainees is also tested before the program. The results are compared with the results of a post-training test to assess the learning from the training program. The learning of the workers and the knowledge transfer to the job determines the success of the training imparted. Follow-up studies after a few months help in assessing the retention and application of the knowledge gained in training. These assessments should be based on the evaluation criteria determined at the beginning of the training program.

24. (b) It refers to the methods or techniques designed to improve the skills of managers or prospective managers.

Management development relates to the development and growth of the employees in an organization, through a systematic process. This development is future-oriented and prepares managers for a career of valuable contribution to the organization.

25. (d) Intellectual and managerial skills

Management development helps in the development of the intellectual, managerial and people management skills of managers. It trains managers understand and analyze different situations, and to arrive at and implement the correct solutions. Development of technical skills is an area mainly looked after by training.

26. (c) Planning

Planning is an important activity in any business, as it aids in making a map to the destination i.e., achieving organizational objectives. A manager plans to achieve these objectives with optimum utilization of available resources. Top-level managers are involved in designing strategic plans, middle-level managers in preparing tactical plans and lower-level managers in making operational plans.

Block-3: Management and Development of Human Resources

27. (b) Only i, ii, and iii

A manager has to carry out the following activities to achieve high standards of employee performance: establish the training needs of each of his subordinates and monitor the training activities; encourage employees to participate in decision making by delegating work to them; provide timely feedback to the employees and give suggestions for improving their performance; reward good performers and high contributors; involve employees in improving their individual areas of work by helping them gain more knowledge and skills; take interest in the development and growth of individual employees; and provide adequate opportunities for improvement of employee skills.

28. (c) Provide feedback on performance to individual employees

At the group level, a manager has to coordinate the activities of interdependent groups; establish the areas of responsibility for each group and monitor their performance and facilitate the change process in the organization.

29. (a) Only i, ii, iii

Management development relates to the development and growth of the employees in an organization through a systematic process. This development is future-oriented and prepares managers for a career of valuable contribution to the organization. It is a key component of an organization's efforts to prepare its employees to successfully handle new challenges. It helps managers understand new cultures and customs that have become an integral part of the global market. It helps managers equip themselves with the latest technologies, tools and techniques for improved quality and performance.

30. (c) Ensuring proficiency in financial and management accounting

The main objectives of management development are: Improving the performance of the managers. enabling the senior managers to have an overall perspective about the organization and also equipping them with the necessary skills to coordinate the various units of the organization; identifying employees with executive talent and developing them, so that they can occupy managerial positions in the future; motivating the managers to perform more effectively, in accordance with the organizational goals; updating managers from time-to-time about the latest changes and developments in their respective fields; improving the analytical and logical skills of employees; providing insights into conceptual issues relating to economic, technical and social areas; improving human relations skills; and encouraging creative thinking.

31. (a) Assessment centers

The developmental needs of the managers can be assessed by the use of assessment centers. These centers assess a manager's ability to perform a job, and identify the areas requiring development.

32. (a) Management development should take place only when a manager feels it is necessary.

Management development should be identified as an important and continuous activity in the organization.

33. (c) Coaching

Coaching involves one manager playing an active role in guiding another. The coach observes, analyzes, and attempts to improve the performance of the trainee. The coach gives guidance in the form of direction, advice, criticism, and suggestions. The coach/trainer teaches the trainee what to do, how to do it, and rectifies any mistakes committed by the trainee.

34. (b) It has a high level of interaction and quick feedback on performance.

Coaching provides guidance to the employee on all job-related areas. Coaching has the advantage of high level of interaction and quick feedback on performance.

35. (d) Job rotation

Job rotation plays an important role in developing the skill set of a manager. When a manager is posted to new jobs across various departments in the organization, he develops diversified skills and knowledge.

36. (a) Only i, ii, and iii

The job rotation method develops diversified skills and knowledge. Interactions with colleagues in different departments provide an enriching experience of various day-to-day problems. It helps in reducing the monotony of work and also improves inter-departmental cooperation. By broadening the manager's experience and by giving him an opportunity to gather and absorb new information, job rotation stimulates the development of new and creative ideas.

37. (b) Transactional analysis

On-the-job development methods are coaching, job rotation, understudy and multiple management, while transactional analysis is an off-the-job method.

Block-3: Management and Development of Human Resources

38. (d) Understudy assignment

Understudy assignment is a development method that ensures the availability of an immediate replacement when the senior manager has to take a break or leave the organization.

39. (c) Understudy assignment

In the understudy assignment method, a senior manager selects one of his subordinates and grooms him as his successor. This may create dissatisfaction among the other subordinates who have not been selected.

40. (a) Multiple management

This technique enables junior managers to participate in board and committee meetings, which are normally attended only by senior and top level managers. These sessions expose junior managers to discussions that take place in such meetings regarding organizational problems and future strategies. The junior managers are given an opportunity to understand and learn the way organizational problems are solved and are also encouraged to share their views.

41. (b) Business games

In this method, the trainees are divided into different groups or teams. They play the roles of competing firms in a simulated market. As the management team of a simulated firm, each team studies, discusses, and arrives at decisions regarding production, advertising, pricing, etc. Each team member can assume a simulated role, within the firm. The teams react to the decisions of their competitors and develop new strategies to beat the competition.

42. (a) Communication skills

The incident method aims to develop the intellectual ability, practical judgment, and social awareness of the employees.

43. (b) Incident

The incident method aims to develop the intellectual ability, practical judgment and social awareness of the employees. Each employee is given a written incident which he analyzes, identifies the problems and the probable causes, and suggests solutions. "Incidents" are based on actual incidents that occurred in different organizations. All the trainees in the group study the incident and make decisions assuming the role of the person, who has to tackle the incident in the actual situation. Later, the group members interact with each other and after mutual discussions arrive at a final decision.

44. (c) It directly deals with the business and financial goals of the organization.

Through sensitivity training or laboratory training, employees have a chance to learn more about their weaknesses and emotions; they learn to be sensitive and empathetic towards others; and they gain insights into how the other members of the group perceive them and how they have to amend their behavior to be more effective. Conflicts can also be reduced as each person speaks openly to others in the group, and every individual tries to empathize with the feelings of others.

45. (a) Transactional analysis

The basic theory behind transactional analysis is that an individual's personality comprises three ego states, namely, the parent, the child, and the adult ego states. These states in reality are not concerned with age; instead, they reflect different aspects of the human ego. According to transactional analysis theory, the child and parent ego states feel and react immediately to situations, while the adult ego state thinks or processes data logically before any further action.

46. (d) Conference

A meeting of people to discuss a topic of common interest is referred to as a conference. Participation of trainees in conferences is necessary because each one learns from, and builds up on, the ideas of the other. This method is the most useful when a problem has to be studied and analyzed from different viewpoints. Participants have the opportunity to express their views openly and hence, may enjoy this method of learning.

47. (b) Lectures

A lecture is the simplest technique of presenting and explaining a series of facts, principles, and concepts. The lecturer organizes the relevant information and presents it to the trainees in the form of a lecture. It helps managers acquire knowledge and develop their conceptual and analytical skills.

48. (c) Cost-benefit analysis

A cost-benefit analysis, measures the benefits from the development program, against its monetary costs. These costs include the costs of materials, supplies, lost work time, travel expenses, consultant fees, and the like. Though it is easy to calculate these monetary costs, it is difficult to translate the benefits into economic terms.

Unit 12

Compensation Management

Structure

- 12.1. Introduction
- 12.2. Objectives
- 12.3. Definition and Objectives of Job Evaluation
- 12.4. Process of Job Evaluation
- 12.5. Techniques of Job Evaluation
- 12.6. Advantages of Job Evaluation
- 12.7. Limitations of Job Evaluation
- 12.8. Concept of Compensation Administration
- 12.9. Different Concepts of Wages
- 12.10. Basic Wage Plans
- 12.11. Variable Compensation
- 12.12. Executive Compensation
- 12.13. Wage Differentials
- 12.14. Theories and Surveys for Wage and Salary Administration
- 12.15. Wage Fixing Institutions and Authorities
- 12.16. Concept of Rewards
- 12.17. Types of Incentive Plans
- 12.18. Non-monetary Incentives
- 12.19. Guidelines for Effective Incentive Plans
- 12.20. Employee Benefits
- 12.21. Summary
- 12.22. Glossary
- 12.23. Self-Assessment Test
- 12.24. Suggested Readings/Reference Material
- 12.25. Answers to Check Your Progress Questions

12.1. Introduction

In the previous unit, we have discussed the employee training and management development. In this unit, we shall discuss compensation management.

Employee compensation is one of the major factors that determine employee satisfaction in an organization. A good compensation system, which gives employees a fair deal helps in attracting and retaining employees, keeps the organization competitive, and motivates the employees, to perform at their best.

Traditionally, the pay scales in organizations reflected the importance of a particular job and the level of responsibility involved in it. With growing competition in today's changing business scenario, organizations are now under compulsion to determine an accurate system for job evaluation and employee assessment. Employees in an organization now consider fair compensation policies and the system of rewarding them, as key indicators of the management's outlook and concern toward them.

This unit will discuss the definition and objectives of job evaluation. We shall then discuss the process, techniques, advantages, and limitations of job evaluation. We shall then move on to discuss the concept of compensation administration and the various concepts of wages. Finally, we will discuss the basic wage plans, the executive compensation, concept of rewards, incentive plans, and employee benefits.

12.2. Objectives

By the end of this unit, students should be able to:

- Define job evaluation, and explain its objectives and principles.
- Find out the various steps involved in a job evaluation exercise.
- State the techniques of job evaluation, namely quantitative and non-quantitative techniques.
- Discuss the concept and purpose of wage and salary administration, and the principles governing compensation administration.
- Determine the different plans of wage payments.
- Analyze the concepts of variable compensation and executive compensation.
- Explain the concept of wage differentials and organizational rewards.
- Classify the types of incentive plans into short-term plans and long-term plans.
- Identify the different types of non-monetary incentives.

- Explain the concept of employee benefits, the basic objectives of employee benefits, and some modern concepts in employee benefits schemes.

12.3. Definition and Objectives of Job Evaluation

Job evaluation may be defined as a systematic way of analyzing and evaluating jobs for determining the relative importance of each job in an organization. It forms the basis for designing the compensation management system in an organization. Other factors like the organization's size and structure, the industry to which it belongs, the strength of the employee unions, an employee's position and relative importance in the organization, the demand for a specific set of skills in that industry, and profitability also determine the compensation system.

12.3.1 Objectives

The primary objective of job evaluation is to establish the relative worth of different jobs in the organization and provide the basis for the compensation management system. Following are some of the other objectives of job evaluation.

- To establish the place and position of a job in the organizational hierarchy
- To clarify the responsibility and authority, attached to each job
- To manage internal and external consistency in the compensation system
- To maintain complete and accurate data regarding the description and specification of various jobs
- To ensure employee satisfaction regarding the compensation system adopted
- To avoid any kind of bias in wage administration
- To provide the basis for the classification of new or changed jobs.

12.3.2 Principles of Job Evaluation

The basic principles governing and determining the successful implementation of a job evaluation are as follows:

- The job dimensions should be properly selected and rated, based on the demands of the job
- The dimensions selected for rating, should be clearly defined, so that the employees can understand them properly
- The job evaluation program should be explained and illustrated to the employees at all levels in the organizational hierarchy
- The employees should actively participate in the job evaluation program
- Market factors should be taken into consideration, while evaluating jobs.

12.4. Process of Job Evaluation

Following are the various steps involved in the job evaluation process:

- **Preparation of a job evaluation plan:** The need for job evaluation is determined and a detailed plan for the entire exercise is prepared.
- **Job analysis:** An analysis of the job is done, to help in understanding the tasks and responsibilities associated with it and the competency set required, to perform the tasks involved and to fulfill the responsibilities.
- **Job description and job specification:** The tasks, duties, and responsibilities associated with each job are compiled to form a job description. The knowledge, skills, and attitudes needed to successfully perform a job are compiled, to form the job specification.
- **Selection of job dimensions:** The factors that will form the basis for evaluating each job are determined. A monetary value is attached to each job after proper assessment of these dimensions.
- **Classification of jobs:** The jobs are assessed and classified sequentially, based on their monetary values. This shows the significance of each job and its contribution to the organization.
- **Implementation of the evaluation:** The employees are educated about the job evaluation program after which, the results of the evaluation exercise can be implemented.
- **Maintenance:** The results of the job evaluation program are updated and modified at regular intervals of time, to match with the changing organizational needs and job profiles.

Check Your Progress-1

1. _____ is the systematic process of analyzing and assessing jobs to determine the relative worth of each job in an organization and forms the basis for designing the compensation management system in the organization.
 - a. Job grading
 - b. Job evaluation
 - c. Job analysis
 - d. Performance appraisal
2. The main objective of job evaluation is to determine the relative worth of different jobs in the organization and provide the basis for compensation management system. However, job evaluation fulfills some other objectives as well. Identify the statement which is **not** one of these objectives.

Block-3: Management and Development of Human Resources

- a. Avoidance of discrimination of any kind in wage determination
 - b. Determination of the position and place of a job in the organizational hierarchy
 - c. Updation of employee skills
 - d. Ensuring employee satisfaction with respect to compensation
3. In the job evaluation process, _____ provide(s) the basic foundation and help(s) in understanding the tasks and responsibilities associated with a job and the competency set, required to perform tasks and fulfill responsibilities.
- a. The job evaluation plan
 - b. Job analysis
 - c. The job dimensions
 - d. Job classification

12.5. Techniques of Job Evaluation

Organizations use several quantitative and non-quantitative techniques to compare jobs within the organization, in order to categorize them and attach monetary values.

12.5.1 Non-Quantitative Techniques

Ranking and job grading are the two non-quantitative techniques of job evaluation.

Ranking

In the ranking technique, jobs are assessed based on the knowledge, skills, effort, and other dimensions, associated with each job. Job descriptions are prepared and ranks assigned to the jobs, based on their relative importance in the organization. The techniques of ranking, which are used in the job evaluation process include:

- **Relative ranking:** This technique involves identifying a representative job, determining its importance, and then ranking the other jobs, based on their relative importance, with respect to the representative job.
- **Paired comparison:** This technique involves ranking each job, with every other job in the organization. The jobs are ranked after this comparison in pairs.
- **Single factor ranking:** In this technique, a single dimension (or factor) of a job, which is of utmost importance is identified. Then a comparison is made between this dimension and the single most important dimension of the other jobs.

After the jobs are ranked using any of the techniques just mentioned, a monetary value is attached to each job.

The advantages of the ranking technique are that it is fast, simple, and inexpensive. This method is most suitable for small organizations. The disadvantage of the technique is that it ignores factors like job and employee specifications. Also, it fails to indicate the degree of difference between the jobs, and it does not make use of a definite standard for ranking.

Job Classification or Job Grading

In this method of job evaluation, classification and grading of jobs is done, based on their significance and importance to the organization. Grades are formulated on the basis of the nature of tasks and responsibilities of the jobs, the authority associated with them, and the knowledge and skills required for the jobs. A single grade is assigned to the jobs, across the company at the same level.

Following are the steps involved in job grading.

- Making an analysis of the organization's structure and its main features
- Establishing the job dimensions/factors for defining grades
- Defining and determining job grades, based on the job dimensions and the organizational structure
- Categorizing the jobs in an organization under different grades, based on the grade definitions
- Using inputs from employees and trade union representatives, with respect to the description of grades, job classification, and the number of grades
- Freezing the grades and allocating monetary values to the key grades first, followed by all other grades

The advantages of the job grading technique are that it is a simple technique and can be easily understood, once the grades have been defined and jobs classified. It is an inexpensive technique and helps in systematic understanding of the organizational structure, on the basis of grades. It enables easy evaluation of any changed job or a new job, once the grades have been established. Also, it is relatively more comprehensive, compared to the ranking technique. The disadvantage of this technique is that it is a cumbersome method, since definitions of grades have to include the different jobs, from different functions.

Check Your Progress-2

4. Several quantitative and non-quantitative techniques are used for comparing jobs in an organization in order to classify them and attach monetary values to them. Among the alternatives listed below, identify the non-quantitative technique(s).
 - i Ranking
 - ii Point rating method
 - iii Factor comparison method
 - iv Job grading
 - a. Only i and iv
 - b. Only ii and iii
 - c. All except i
 - d. Only iv
 5. In the _____ method of evaluating jobs, a key job is identified and its worth is determined. Subsequently, the importance of each job, in comparison with the representative job is determined and then the job is ranked.
 - a. Paired comparison
 - b. Job grading
 - c. Single factor ranking
 - d. Relative ranking
 6. In the job grading method used for job evaluation, jobs are classified and then graded on the basis of their significance and worth to the organization. There are six steps involved in this method. Identify the last step.
 - a. Defining and determining the job grades as Grade I, Grade II, etc., based on the job dimensions and organizational structure
 - b. Using inputs from the employees and trade union representatives, regarding the number of grades, grade description, and job classification
 - c. Freezing the grades and assigning monetary values to the key grades, and then to all other grades
 - d. Classifying the jobs of the organization under different grades, according to the grade definitions
-

12.5.2 Quantitative Techniques

The quantitative techniques of job evaluation include, the point rating method, the factor comparison method, and the decision band method.

Point Rating Method

The point rating method (or point method) involves developing a quantitative point scale for job evaluation. Different types of jobs, however, may require different scales, which are determined by the job evaluation analyst or the human resources function. Following are the various steps involved in this method.

1. ***Determination of job factors or compensable factors:*** Job factors are those features of a job, which are regarded as important by the organization and which are present in all the jobs that are to be evaluated. These are determined by taking a significant sample of jobs and preparing their job description and specification.
2. ***Determination of sub-factors:*** Since the job factors are very common in nature and have a broad meaning, they are subdivided into sub-factors which are specific to the jobs which are being evaluated.
3. ***Defining the degree statements or profile statements:*** Degree statements are in the form of written phrases and determine the degree of importance associated with each sub-factor. These are used to describe the specific requirements of each sub-factor.
4. ***Assigning points to factors, sub-factors, and degrees:*** Points are allotted to each factor, sub-factor, and degree in the job, based on their importance in the job.
5. ***Preparation of a chart:*** After assigning points to each factor, sub-factor, and degree, a chart is prepared with the values for each factor and sub-factor, broken down into degrees present, with clear, agreed definitions of the sub-factors and degrees.
6. ***Applying the point system:*** In the final stage, experts make a comparison between the job description of each job and the description given in a standard point manual and determine the final points and level of each job. These points, in turn, help in determining the pay scale for each job. The total points should match with the rank ordering of the key jobs according to pay.

Block-3: Management and Development of Human Resources

After finalizing the points for each job, the jobs are ranked on the basis of these points. These rankings are then reviewed by the concerned department managers and the HR department, in order to ensure their validity and utility.

The advantages of the point rating method are that it is an accurate and dependable method that can be used for a relatively long time. Apart from this, the wage differentials are likely to be systematic and based on the content of each job. The disadvantages of this method are that it is complicated, expensive, and time-consuming and involves a lot of clerical work.

Factor comparison method

The factor comparison method is a sophisticated and quantitative technique of job evaluation which is based on the principles of point rating and ranking methods. This method involves the following steps:

- Determining and defining the job-specific factors, across different jobs
- Identifying the benchmark/key jobs, containing the factors determined in the first step
- Making a 'factor comparison', which involves comparing and ranking the factors in each benchmark job, according to their relative importance
- Making a 'factor evaluation' which involves assigning monetary values to the factors, the sum of which should add up to the pay of the benchmark job. Any differences between factor comparison and factor evaluation, should be resolved.
- Evaluating the remaining jobs in the organization, on the basis of the evaluation of the benchmark job.

The advantages of the factor comparison method are that it is an analytical and quantitative method; is reliable; is an objective and logical method, where monetary values are assigned based on factor ranking; and it is easy to make supervisors, employees, and unions understand this method.

The disadvantages of this method are that it is cumbersome and complicated; the whole exercise needs to be restarted in case a mismatch is found between factor comparison and factor evaluation; and the benchmark jobs on which this method is dependent may not always be relevant.

Decision Band Method

The decision band method or DBM was originally developed by Professor Emeritus Thomas T. Paterson in the 1970s, and further developed and refined by other agencies for use in client organizations. The DBM is based on the principle that the value of a job, depends on its decision making requirements. This method differentiates between six levels of decision making or 'decision

bands', ranging from the simplest decisions to the most far-reaching decisions on organizational objectives. The decision-band job evaluation process produces a decision-based structure. The number of grades and subgrades used depends on the organizational structure and the desired degree of differentiation.

Hay System of Job Evaluation:

Hay System is a popular method of performance evaluation system used in the context of Compensation designing widely followed in North America and Europe. Consistent with the spirit of Pay Equity legislation, four factors are used in job evaluation: Skill, Effort, Responsibility and Working Conditions, which Hay translates into Knowledge, Problem Solving, Accountability and Working Conditions. The system works on an integration of all the factors. A job is evaluated by looking at the knowledge required to do the job (whether practical or intellectual), the kind of thinking required to solve the problems which the job commonly faces, the responsibilities (accountabilities) assigned, and the work environment in which the work is performed. As of today the Hay system is considered to be the most valuable, widely accepted methodology in terms of designing the compensation in various sectors of economy. The comprehensiveness of Hay system certainly addresses the vital aspects of employee compensation by taking into account the key stakeholders of the system.

Know How:

There are three dimensions in know how:

Practical procedures, specialized techniques and knowledge within occupational fields, commercial functions, and professional and scientific disciplines.

Planning, organizing, coordinating, integrating, staffing, directing and or controlling the activities and resources associated with the function of the unit, position, section, etc.

Face to face skills needed for various relationships with other people.

Problem solving:

There are two dimensions in problem solving:

The environment in which the thinking takes place.

The challenge of the thinking to be done; the novelty and complexity of the thinking required.

Block-3: Management and Development of Human Resources

Accountability:

There are three dimensions in accountability:

"Freedom to Act" which is the extent of personal, procedural or systematic guidance and control on the job.

"Job Impact on End Results" which is the degree to which the job affects or brings about the results expected of the unit or function being considered.

"Magnitude" is the size of the function or unit measured in the most appropriate fashion.

Working Conditions:

Working Conditions are made up of four dimensions:

"Physical Effort" - jobs, which may require levels of physical activity, which may produce physical, stress or fatigue.

"Physical Environment" - jobs which may include exposure to unavoidable physical and environmental factors which increase the risk of accident, ill health or discomfort to the employee.

"Sensory Attention" - jobs which may require concentrated levels of sensory attention (i.e. seeing, hearing, smelling, tasting, touching) during the work process.

"Mental Stress" - refers to exposure to factors inherent in the work process or environment, which increase the risk of such things as tension or anxiety.

Check Your Progress-3

7. The point rating method is a quantitative method of job evaluation. In this method, a quantitative point scale is developed to evaluate the jobs. Arrange the steps involved in this method in their correct sequence.
 - i. Determining the job factors or compensable factors
 - ii. Assigning points to factors, sub-factors, and degrees
 - iii. Applying the point system
 - iv. Preparation of a chart with values for each factor and sub-factor
 - v. Determining the sub-factors
 - vi. Defining the degree statements or profile statements
 - a. i, vi, ii, iii, iv, v
 - b. ii, iv, i, iii, v, vi
 - c. vi, iii, v, iv, ii, i
 - d. i, v, vi, ii, iv, iii

8. The point rating method is a quantitative technique of job evaluation. What is/are the advantage(s) of this method?
- i. The system is accurate and dependable.
 - ii. Wage differentials are likely to be systematic and in accordance with the content of each job.
 - iii. It is a quick and inexpensive method of job evaluation.
 - iv. It is a simple technique.
- a. Only iii
 - b. Only i and ii
 - c. Only iii and iv
 - d. Only ii and iv
9. The factor comparison method is a quantitative job evaluation technique. It is based on the principles of two other methods used for job evaluation. The two methods on which the factor comparison method is based are _____.
- a. Ranking and point rating
 - b. Job classification and job grading
 - c. Job grading and ranking
 - d. Decision band and point rating
10. The decision band method has been used successfully in public and private organizations, throughout the world for over 25 years, but is not a conventional method of job evaluation. It is a unique approach to job evaluation. Who was the pioneer of this approach?
- a. Peter Drucker
 - b. Thomas T. Paterson
 - c. Frederick Taylor
 - d. Elton Mayo
11. The basic premise of the _____ method is that the value of a job depends on its decision-making requirements.
- a. Factor comparison
 - b. Decision grading
 - c. Decision band
 - d. Point rating
-

12.6. Advantages of Job Evaluation

- Job evaluation is a logical and objective method of ranking and grading jobs required for compensation management.
- It helps prevent and remove discrepancies in the wage structure, thus making the system of wage administration, simpler and more uniform.
- It can logically explain issues regarding wage differentials in an organization.
- It helps in the entry of new jobs into the organization's wage structure.
- It helps in making a comparison, between the wage structure of an organization with that of its competitors and the prevalent market rates.
- The information collected for conducting the job evaluation can be used for making decisions relating to selection, transfer, and promotion of employees.

12.7. Limitations of Job Evaluation

- Changing technologies and systems result in changes in jobs and job factors, which may make the job evaluation techniques, outdated and irrelevant.
- If not properly formulated or implemented, it may give rise to employee grievances.
- It reduces flexibility and manager's discretion in the pay system.
- Implementation of job evaluation requires a long time and may involve formalization of certain rules. This may lead to a mismatch between the financial position of the organization and its wage structure.
- The job evaluation committees may sometimes have to make compromises, to put up with the opinions and demands of different interest groups (like the management, unions, employees, etc).

12.8. Concept of Compensation Administration

The hourly, weekly, and monthly pay that is received by the employees in an organization for their work is referred to as base wages and salaries. The total compensation (which includes elements like incentives and benefits) of an employee is calculated, after determining the base wage and salary. Compensation administration may be defined as the system of compensating employees in a fair manner, maintaining the principles of equity, and matching the expectation of the employees.

12.8.1 Principles Governing Compensation Administration

The principles governing the compensation administration in an organization are as follows.

- Maintaining fairness in the distribution of wages and salaries
- Maintaining competitiveness in the wage market, with the other players in the industry
- Matching the expectations of employees
- Strengthening positive employee behavior and contribution
- Removing discrepancies in wage administration
- Devising a system, which is most efficient for the organization
- Optimizing the interests of the management and the employees
- Maintaining good industrial relations and harmony, with regard to compensation

12.8.2 Purpose of Compensation Administration

Satisfying the needs of the employees and meeting their expectations for the purpose of motivating and retaining them is the main objective of compensation administration. Some other purposes are:

- Attracting talented resources
- Retaining employees and motivating them to perform better
- Achieving cost reduction and a better return on investment
- Complying with the legal requirements on having a proper system in place for employee compensation

Activity: Abbots Associates plan to diversify into pharmaceuticals shortly. It needs to devise a compensation plan in order to attract and retain employees in the organization. Enumerate the basic principles of a good compensation policy, which will help the company achieve its objective.

Answer:

Check Your Progress-4

12. There are several advantages of job evaluation. Identify the statement which does not describe an advantage of job evaluation.
- a. It helps in comparing the organization's wage structure with competitors' wages and the market rates.
 - b. It helps to prevent and remove discrepancies in the wage structure of an organization.
 - c. It helps to introduce rigidity into the pay system.
 - d. The information collected for job evaluation can be used for decisions, related to the selection, transfer, and promotion of employees.
13. Compensation administration involves compensating the employees in a fair manner. What are the principles which govern compensation administration?
- i. Optimization of management and employee interests
 - ii. Elimination of any discrepancy in wage administration in the organization
 - iii. Active participation of all the organization's employees in the compensation administration system
 - iv. Increasing employee involvement in management development initiatives.
- a. Only ii and iii
 - b. Only iii and iv
 - c. Only i and iv
 - d. Only i and ii
14. Which of the following may be referred to as the **main** purpose of compensation administration?
- a. Attracting talented resources
 - b. Complying with laws relating to employment that require an organization to have a proper system to pay employees for their contribution
 - c. Helping the management to reduce its costs in terms of labor turnover and ensure better return on investment (ROI)
 - d. Satisfying employees' needs and meeting their expectations, in order to motivate and retain them

12.9. Different Concepts of Wages

There are different concepts of wages, which have emerged over the years. The concepts of minimum wage, fair wage, and living wage have been explained here.

12.9.1 Minimum Wage

Minimum wage is the amount of remuneration, which is just enough to enable an average worker to meet all his/her obligations. It is either the minimum piece-rate or the minimum time-rate. It is governed by the Minimum Wage Act, 1948, and is revised at least once in five years, based on the consumer price index. According to law, employees have the right to get the minimum wage under all situations and at all times. Following are the six norms for fixing the minimum wages.

- While calculating minimum wages, a standard working class family should be regarded as having 3 consumption units per earner, and the earnings of women, children, and adolescents should be excluded.
- The calculation of the minimum amount of food intake should be made based on the net calorie intake, of an average Indian adult, doing moderate activities.
- The requirements for clothing should be estimated at per capita consumption of 18 yards per annum.
- Rent corresponding to the minimum area provided for, under Government's Industrial Housing Scheme, should be taken into consideration in fixing the minimum wage.
- Fuel, lighting, and other miscellaneous items should constitute 20% of the total minimum wage.
- Medical requirements, children's education, minimum recreation (like festivals), provision for old age, marriages, etc., should constitute 25% of the total minimum wage.

12.9.2 Fair Wage

Workers who perform work of the same nature (for instance, of equal skill) should be entitled to equal or fair wages. Fair wage should take into consideration the financial capacity of the employer and the workload of the organization. Fair wages may be higher than the minimum wages, but never lower than it. Following are the recommendations of the Committee on Fair Wages in India regarding fair wages.

- Minimum wage should be the basis for fair wage and the organization should have the capacity to pay it.

Management and Development of Human Resources

- Fair wage should be related to the productivity of the labor.
- It should match the prevailing rates of wages in the same or neighboring localities.
- It should reflect the level of national income and its distribution.

12.9.3 Living Wage

The concept of living wages was introduced by the First Central Pay Commission of the Indian government for government employees, as it felt the need to give incentives to workers and share the gains of the organization with them, by giving higher wages and a better standard of living.

According to the Committee on Fair Wages, “Living wages should enable the male earner to provide for himself and his family, (not only) the bare essentials of food, clothing and shelter, but (also) a measure of frugal comfort including education for the children, protection against ill-health, requirements of essential social needs and a measure of insurance against the more important misfortunes including old age.” Amongst minimum wage, fair wage, and living wage, the living wage is the highest in value.

As stated in the Report of the National Commission on Labor, ‘fair wage’ is not ‘living wage’. Fair wage lies between the minimum wage, which must be paid in any event, and the living wage, which is the target.

Check Your Progress-5

15. In India, several norms are used in fixing the minimum wage. Which of the following is **not** a norm followed in fixing the minimum wage?
 - a. In calculating the minimum wage, the standard working class family should be taken to consist of 3 consumption units for one earner.
 - b. Minimum food requirement should be calculated on the basis of net intake of calories, for an average Indian adult of moderate activity.
 - c. Fuel, lighting, and other miscellaneous items of expenditure should constitute 20% of the total minimum wage.
 - d. Children’s education, medical requirements, minimum recreation including, festivals/ceremonies, and provision for old age, marriages, etc., should constitute 75% of the total minimum wage.
16. A _____ wage should enable the male earner to provide for himself and his family, not only the bare essentials of food, clothing, and shelter, but also a measure of frugal comfort including, education for the children, protection against ill-health, requirements of essential social needs, and a

measure of insurance against the more important misfortunes including old age.

- a. Minimum
- b. Good
- c. Living
- d. Generous

17. Which, among the following types of wages, is likely to be the highest in terms of value?

- a. Fair wage
- b. Minimum wage
- c. Living wage
- d. Base wage

18. Living wages should enable “a male earner to provide for himself and his family, the bare necessities for survival, a measure of frugal comfort and also a measure of insurance against misfortunes like old age.” The First Central Pay Commission introduced the principle of ‘living wage’ for _____.

- a. Government employees
- b. Private sector employees
- c. Agricultural workers
- d. Journalists

12.10. Basic Wage Plans

Across countries and among different industries, there are different systems of wage payment. The traditional wage plans are based on the Time system and the Piece system.

12.10.1 Time Wage Plan

The time wage plan is applicable, when the quality of work is much more important than quantity, and the work itself cannot be standardized easily. Under this plan, the workers are assured of a fixed amount of wages (irrespective of the output level) and are paid for the time period for which they have been employed. Workers are given a fixed time schedule and normally cannot earn more than a fixed amount. In case the worker wants to earn more, he/she may work over-time or extra shifts, provided that there is an organizational need for it.

12.10.2 Piece Wage Plan

Unlike the time wage plan, this plan is applicable, when there is a need for bulk production and the units of work produced, can be standardized easily. The basic idea of this plan is that the work done is measurable and the workers are paid for the work done. The earnings of the workers are directly related to their productivity and act as an incentive for workers to maximize production. One of the major drawbacks of this plan is that quantity may be given more importance than quality. Thus, proper care should be taken by the management to ensure the quality of the work done.

In actual practice, the time wage plan and the piece wage plan are clubbed together to achieve maximum benefits. However, there is another type of wage plan called the 'payment by results' system, where the wage for each piece of work is fixed and the workers are paid only after completion of the work.

Narrow job descriptions and pay scales that worked well in the past are no longer in use today. Of late, the main thrust has been on employee performance and on retaining and motivating good performers. Employees are also looking out for growth opportunities and organizations that value them. The modern approaches to wage determination are given here:

12.10.3 Skill-based Pay

Also known as knowledge-based pay, under this system, employees are compensated for their job-specific skills. They are usually hired at rates, below the prevailing market rates, and once they gather knowledge and new skills, they are given promotions, along with increased pay.

12.10.4 Competency-based Pay

In this system, an employee who performs the best on a job is selected, his/her competencies are identified, and he/she is rewarded for them. All the other employees are then compensated, based on the extent to which they demonstrate the competencies that have been identified.

12.10.5 Broad banding

This system reduces the number of salary levels in an organization into broad salary bands. These salary bands usually have a fixed maximum and minimum, which coincide with the other bands. For instance, if the salary band for the entry level is fixed as Rs.10,000 – Rs. 18,000, the salary band for the next level can be Rs.12,500 – Rs.22,000. Broadbanding helps in giving freedom to the managers in fixing the pay of individual workers, but within the set limits. It helps in minimizing employee resistance and helps the organization avoid unnecessary distinctions in the organization, based on level or status.

Check Your Progress-6

19. Helix Creative Works gives more importance to the quality of work done by its employees, rather than the quantity. The nature of work in the company is such that it cannot be easily standardized. A basic wage plan that would be appropriate for the company is a/an _____.
- a. Time wage plan
 - b. Output-based incentive plan
 - c. Production-based pay plan
 - d. Piece wage plan
20. Teletronics Ltd., a telecommunications equipment manufacturer, hires people at below-market rates. Once these employees acquire extensive knowledge and new skills, it is the policy of the company to promote them and increase their pay. The type of wage payment system, followed by the company is known as _____.
- a. Time wage plan
 - b. Skill-based pay
 - c. Competency-based pay
 - d. Broadbanding

12.11. Variable Compensation

Variable compensation programs have been designed to motivate individuals and groups, by paying them on the basis of their performance and not on the basis of their position in the organizational hierarchy. There is a distinction made between performers and non-performers. The variable pay program is an employee involvement program that makes employees responsible for their own pay package, through their performance and contribution, thereby motivating them to perform better.

Some of the components of the variable compensation program are production incentives, profit sharing, gain sharing, bonus, etc. In an organization, variable compensation is paid at different levels, namely the worker level, the managerial level, and the group level.

At the worker level, workers are rewarded based on the piece-rate system on their achievement of production targets or based on the time-rate system for working overtime to achieve organizational objectives. These programs would

Management and Development of Human Resources

help in enhancing the productivity and efficiency of the workers. At the managerial level, managers are given monetary and/or non-monetary incentives for achieving targets and for their creative and innovative contributions to the organization. At the group level, the group as a whole is rewarded for performing and achieving targets. This motivates groups to resolve differences, and to work toward a common goal.

12.12. Executive Compensation

The compensation paid to the CEOs or top executives of an organization, for the purpose of motivating and retaining them, is referred to as executive compensation. The dearth of qualified talent, demand for executive accountability, and long-term commitment to the organization are important elements in designing executive compensation. Executive compensation requires planning in areas like salary administration, organizational structure, short-term and long-term incentive plans, sales compensation, executive perquisites, and retirement benefits. While deciding on executive compensation, it should be ensured that it satisfies all the stakeholders. Exhibit 12.1 briefs about the remuneration paid to the top management at L&T Finance.

Exhibit 12.1: Remuneration of the Board of Directors at L&T

- In accordance with the resolution of the Annual General Meeting of L&T Finance, on 18 March 2021, it was decided to pay the Chairman EUR 60,000, Vice Chairman EUR 40,000 and each member EUR 30,000.
- The fees are paid so that 40% of the annual fee is in Lassila & Tikanoja's shares held by the company or, if this is not feasible, shares acquired from the markets, and 60% in cash.
- Shares are to be issued to Board members and, where necessary, acquired directly from the markets on behalf of Board members within the next 14 trading days, free from restrictions on trading, from the Annual General Meeting.
- In addition, meeting fees are paid to the members of the Board of Directors as follows: EUR 1,000 to the Chairman, EUR 700 to the Vice Chairman and EUR 500 to each member for each meeting. Meeting fees are also paid to the Chairmen and members of committees established by the Board of Directors: EUR 700 to the Chairman of a committee and EUR 500 to each member for each meeting.

Source: <https://www.lt.fi/en/investors/corporate-governance/remuneration>, accessed on October 07, 2021

Following is the process that an HR department can follow to design an effective and efficient executive compensation plan.

- Evaluate the existing executive compensation plan
 - Make an analysis of the organization's objectives and design a pay system accordingly
 - Ensure that the plan will help in retaining a capable and successful executive for a longer time period
 - Take care of factors like funding of executive compensation
 - Prepare the final plan, taking into consideration the various components
 - Inform the stakeholders about the executive compensation plan.
-

Check Your Progress-7

21. Variable compensation systems are designed to _____.
 - a. Pay the employees, according to their performance and not according to their positions in the organizational hierarchy
 - b. Pay the employees, according to their position in the organizational hierarchy
 - c. Pay employees, according to their performance and position in the organizational hierarchy
 - d. Pay the employees, according to their positions in the organizational hierarchy and not according to their performance
22. Under variable compensation programs, there are different systems of rewarding an employee for his/her performance. Variable compensation is paid at three different levels. Identify the level in the organization, which is **not** relevant for such compensation.
 - a. Worker level
 - b. Manager level
 - c. Group level
 - d. Activity level
23. Executive compensation refers to the compensation paid to the CEO or the top executives of an organization. Identify the elements, which need to be considered, while designing executive compensation.
 - i. Scarcity of qualified talent
 - ii. Demand for executive accountability
 - iii. Demand for long-term commitment to the organization

- iv. Need to attract and retain top executives
- a. Only i and iv
- b. Only i, iii and iv
- c. Only ii, iii and iv
- d. i, ii, iii, iv

12.13. Wage Differentials

The difference in the wages paid due to differences in work schedules, dangers involved, cost of living, etc., for the same or similar type of work, is known as wage differentials. A wage differential can exist at the individual level (due to personal characteristics like competence, experience, knowledge, gender, etc.), organizational level (due to different organizational capabilities, their size, stage in business cycle, image, etc.), occupational or industrial level (due to business trends), and the regional level (due to locational differences).

12.14. Theories and Surveys for Wage and Salary Administration

The fixing of wage and salary in a country is done on the basis of wage theories like the wage fund theory and salary surveys. The Minimum Wage Theory helps fixing the minimum wages for daily laborers. Contemporary theories talk about the role of the worker in fixing wages. According to the Bargaining Theory of Wages, the bargaining powers of the employer and the employee, determine wage fixation.

Behavioral scientists proposed that in an organization, factors like size, nature, culture, and perception of the organization, the union's bargaining power, desired performance of the employee, etc., influence the wage and salary administration.

In India, the government conducts periodic surveys to determine the methods of fixing wages for different sections of workers in society. Some of these surveys are the Working Class Family Income and Expenditure Survey, Occupational Wage Survey, and Contract Labor Survey.

At the organizational level, wage and salary administration is determined by factors like the corporate policy and objectives, job evaluation, competition in the industry, etc.

12.15. Wage Fixing Institutions and Authorities

Wage determination is mostly done through collective bargaining or through negotiation between the management and the workers. However, some government authorities, like the Pay Commission and the Wage Boards, determine the minimum pay-scales, which become guidelines for administering wages and salaries in different organizations. These authorities are constituted, whenever the need for wage revision arises. The concept of wage boards has now become obsolete. Pay Commission recommendations give the general guidelines and are used as the basis for negotiations. For issues beyond these recommendations, collective bargaining is used. Of late, with the change in the business scenario and attitudes of management, individual bargaining power has gained more importance, than the collective bargaining power of the trade unions.

12.16. Concept of Rewards

Rewards earned by the employees, as a result of their employment with the organization are regarded as organizational rewards. The system of rewarding employees is usually linked to the performance of the employees and their commitment to the organization. The basic objective of organizational rewards is to improve an employee's self-confidence and job satisfaction. The rewards may be both extrinsic and intrinsic. Extrinsic rewards are tangible and within the organization's control, as for example, bonus. Intrinsic rewards are intangible and are internal to the individual, as for example, a challenging assignment. Rewards can also be classified as financial and non-financial rewards. Financial rewards are tangible and paid in monetary terms (like bonus). Non-financial rewards are intangible and paid in kind (like subsidized lunch), but can be measured in terms of their value to the employee. Exhibit 12.2 tells us the huge rewards CEOs of companies enjoy for their contributions

Exhibit 12.2 Elon Musk's Eye Popping Compensation

Many CEOs receive most of their compensation in the form of shares or stock options to buy shares at a given price and time. Often, those stock or option grants don't vest or become available to the chief executive until some amount of time has passed. Or, as in Tesla's case, some set of performance goals are met. Musk was paid about \$11 billion in 2019, by Forbes estimates, all in Tesla TSLA +0.8% stock options awarded to him as part of the audacious compensation plan he inked with the electric carmaker in 2018. That plan, worth \$2.3 billion when it was first spelled out, was spread over a decade Musk's reported compensation was more than 17 times that of the

Contd.

next-highest executive on the list, Discovery Communications CEO David Zaslav.

Source: <https://www.businessinsider.in/strategy/elon-musk-got-paid-2-3-billion-last-year-but-actually-earned-0-and-this-shows-how-complicated-ceo-compensation-has-become/articleshow/69744702.cms>

The rewards given to an employee over and above his/her base wage in recognition of his/her performance and contribution to the organization are referred to as incentives or performance-based rewards. Employee Stock Option Plans and annual performance incentives are examples of incentives. On the other hand, rewards received by an employee for his/her employment and position in the organization, are termed as benefits or membership-based rewards. Sponsoring the educational expenses of the employee, paid vacations for the employee's family, scholarships for the employee's children, etc., are examples of benefits. The base salary, the incentives, and the benefits put together, constitute the total compensation of the employee.

Check Your Progress-8

24. India Infotech Ltd. has offices in Mumbai and New York. Its compensation structure is such that software developers working in these two locations have different compensation packages. This wage differential may be termed as an example of _____ differences.
 - a. Regional
 - b. Organizational
 - c. Occupational
 - d. Industrial
25. The Government of India conducts different surveys at various times, in order to determine the way the wages are to be fixed at different levels. Which of the following is one such survey conducted by the government?
 - a. Working Class Family Income and Expenditure Survey
 - b. Top Executive Compensation Survey
 - c. Annual Survey of the Highest Paid Executives in India
 - d. B-Schools Salary Survey
26. Sunrise Computer Services Ltd. decides to promote Ravi Sharma, a software developer, to the position of Senior Software Developer and also pay him a bonus, for having successfully completed a very challenging project. This is an example of a/an _____ reward.
 - a. Non-financial
 - b. Intrinsic

- c. Extrinsic
 - d. Total
27. Employee Stock Options Plans (ESOP) is used by many companies to compensate, retain, and attract employees. Employees, who are granted stock options, hope to profit by exercising their options at a higher price, than when they were granted. An ESOP is an example of _____.
- a. Incentives
 - b. Employee Benefits
 - c. Membership-based rewards
 - d. Basic Compensation
28. _____ are the rewards an employee receives for his/her employment and position in the organization. They include scholarships for employee's children; reimbursement of medical expenses incurred by the employee and family and paid vacations for the employee with his family.
- a. Intrinsic rewards
 - b. Non-financial rewards
 - c. Incentives
 - d. Benefits

12.17. Types of Incentive Plans

There are two types of incentive plans, short-term incentive plans and long-term incentive plans. Short-term incentive plans are related to the productivity of an employee, over a short time-period (a day, a week, or a month). On the other hand, long-term incentive plans are associated with the employee's performance over a long period of time (usually a year and sometimes his/her tenure with the organization). Some of the short-term and long-term incentive plans are explained here.

12.17.1 Short-Term Plans

The short-term incentive plans are usually based on time rates or piece rates. Some of the short-term incentive plans, based on these two methods are the Halsey plan, the Rowan plan, the Barth system of wages, the task bonus system, the point-rating system, and progressive bonus.

1. **The Halsey plan:** Under this plan, a fixed standard output has to be completed, within a prescribed time. A worker who completes the work, before the prescribed time, receives a percentage of his/her wage as extra earnings.

Here,

Extra Wage = Plan Percentage of Wages x Time Saved x Hourly Rate.
Therefore, Total wage=Extra earnings + Base wage.

2. **The Rowan plan:** Under this plan, the worker is assured of a minimum wage on a time basis. Then, a standard time is fixed for completing the work. If the worker completes the work before time, he/she earns more for the time saved. Here, Extra Earnings = (Time Saved x Time Taken x Hourly Rate)/ Standard Time. Therefore, Total earnings= Minimum wage + Extra earning.
3. **The Barth system of wages:** This plan does not assure a minimum wage to the workers. Under this system, Wages= {Hourly Rate x $\sqrt{\text{Standard Time} \times \text{Time Taken}}$ }.
4. **The Task bonus system:** This method emphasizes teamwork and coordination and is generally used for groups. Under this method, the work of each member in the team is predetermined and he/she has to accomplish it, in order to get a bonus above his/her standard pay. Using the Gantt method, a bonus is paid over and above the time wage, if the standard task is accomplished. Using the Taylor method, the rate of piece wages is raised once the task is accomplished.
5. **The Point-rating system:** Under this system, each job is rated in terms of a standard time (a day or a week). After the completion of this standard time, an assessment of the output of each worker is made. The workers are then paid accordingly, at the appropriate time-rate for the standard-time value of the work done.
6. **Progressive bonus:** Under this system, the earnings of a worker start increasing at a progressive rate once the output crosses the minimum or standard output. Payment of bonus starts at a specified level of output (say, 75% of standard output). Workers who do not reach the specified level of 75% are paid daily wages, at the hourly rate. Workers producing beyond this level are paid on a graduated scale, which increases slowly at first and then rapidly as the worker nears 100% efficiency.

Check Your Progress-9

29. Calculate the extra earnings for a worker according to the Rowan Plan, given that the standard time for a job is 8 hours and the hourly rate is Rs. 4. He completes the job in 5 hours.
- a. Rs. 7.50
 - b. Rs. 7.00
 - c. Rs. 8.00
 - d. Rs. 7.75

30. The _____ of incentive payment is generally used for groups. The emphasis here is on teamwork and coordination.
- Point-rating system
 - Progressive bonus
 - Task bonus system
 - Barth system
31. Bitter Pill Inc., a pharmaceutical biological and consumer healthcare company, has decided to pay incentives to its employees. Payment of incentive starts at 75% of the standard output level. The employees of the company, producing above this level are paid on a graduated scale, which increases slowly at first and then rapidly as the employee approaches 100% efficiency. The type of short-term incentive plan which the company is following is known as _____.
- Progressive bonus system
 - Task bonus system
 - Point-rating system
 - Distribution plan
-

12.17.2 Long-term Plans

In this highly competitive scenario, many organizations are considering long-term incentive plans for their employees. These plans help in providing steady earnings over a long period of time. The long-term incentive plans include, annual bonus, profit-sharing, gain-sharing, and employee stock plans.

1. **Annual bonus:** The annual cash bonus plans are based on a company's annual performance. This is a one-time payment made at the end of the year or at the time of a major festival. It is dependent on factors like the company's profits and the performance of the group/unit during the year. As per Indian law, the Payment of Bonus Act, 1965, states that every employee is entitled to receive a minimum bonus of 8.33 per cent of the salaries/wages, earned during the accounting year or Rs. 100, whichever is higher, subject to other provisions of the Act.
2. **Profit-sharing:** In the profit-sharing plan, employees earn a percentage of the company's total profit. The three types of profit-sharing plans are distribution plan, deferred plan, and combination plan.

Management and Development of Human Resources

- Distribution plan: *Under this plan, employees get an annual or quarterly cash bonus, based on a pre-determined formula and the company's profits.*
 - Deferred plan: *Under this plan, employees are entitled to profit-sharing credits, instead of immediate cash payment. These credits are distributed when the employee leaves the organization.*
 - Combination plan: *This plan is a combination of the deferred and distribution plans. The employees receive a portion of each period's profit in cash bonus and the balance is put into a deferred plan.*
3. **Gain-sharing:** In this method, groups are rewarded for their successful performance. The group is rewarded for its team work, coordination, and other activities that aided in its success, external factors being disregarded. It is entitled to gain-sharing irrespective of whether the firm earns a profit or not.
4. **Employee stock plans:** Under this plan, the employees are given a part of the company's ownership at a price below the market price, considering their duration and/or meritorious performance on the job. The basic principle underlying employee stock plans is that employees will put in more efforts into their jobs if they have a stake in the company. The advantages of these plans are that they strengthen a company's asset base, reduce the impact of corporate taxes, and increase its equity. Employee stock plans also help in aligning the interests of the managers with those of the owners. They give the company an opportunity to reward its employees, without affecting its bottom-line..

Check Your Progress-10

32. Which among the following is a long-term incentive plan in which the employees are given a part of the ownership of the company at a price lower than the market price, taking into consideration their tenure with the company and meritorious performance on the job?
- a. Employee stock plan
 - b. Profit-sharing
 - c. Gain-sharing
 - d. Progressive bonus

33. Profit-sharing is a long-term incentive plan in which the employees of a company earn a share of the company's profits, calculated as a percentage of total profit. There are three major types of profit-sharing plans; _____ is **not** one of them.
- Distribution plan
 - Combination plan
 - Sales incentive plan
 - Deferred plan
34. The basic premise of employee stock plans is that giving a stake in the company is the best way of rewarding employees and that they put in their best performance, when they own a part of the company. _____ is **not** an employee stock plan.
- Premium Priced Options
 - Combination Plan
 - Phantom Stock
 - Employee Stock Purchase Plan

12.18. Non-monetary Incentives

One of the best ways of motivating employees is to give them non-monetary incentives for their performance and contribution to the organization. Non-monetary incentives are as important as monetary incentives as they enhance the morale and job satisfaction of the employee. Following are some of the non-monetary incentives.

- Giving social or informal recognition to an employee's contribution
- Giving a challenging assignment to the employee that will assure him/her of the management's faith in his/her competencies
- Giving additional responsibility to an employee
- Rewarding an employee for his/her performance through free gifts or free vacations
- Giving away awards to an employee for remarkable performance on the job and valuable contribution to the organization

12.19. Guidelines for Effective Incentive Plans

An incentive plan acts as an employee retention and motivation tool. It should possess the following features to be effective.

- It should be related to employee performance.
- It should be clearly communicated to the employees.
- It should value and reward employee suggestions and be proportional to the contribution of each employee.
- It should not be in the least influenced by external factors.
- It should be flexible enough to accommodate changes in external factors.
- It should pose a challenge to the employees to improve their performance levels.
- It should also benefit the management in terms of tangible savings in labor costs.
- It should add value and not have a negative influence on the bottom-line of the company.
- It should include both monetary and non-monetary incentives for employees.
- It should be possible to measure their value.

12.20. Employee Benefits

Benefits are fringe advantages that accrue to an employee over and above his/her salary, as a result of his/her employment with an organization and his/her position in the organization. These are generally not linked to performance. The quality of the employee benefits scheme in an organization, helps in determining and enhancing its image as a caring employer. It is an excellent tool for retaining employees and improving the bottom-line of the organization. Some of the common employee benefits provided by organizations are mentioned in the Table 12.1.

Example: The Indian Business Process Outsourcing (BPO) industry provides various benefits to its employees, in order to retain the existing employees and attract new ones. Some of these benefits include: group mediclaim insurance scheme, provident fund, employee stock option plan, gratuity, food and transportation at subsidized prices, company rented accommodation, cafeteria, personal accident insurance scheme, ATM facilities, corporate credit cards, loans, maternity leave, recreation facilities, educational benefits, cell phone, flexible salary benefits, laptops, performance-based incentives, health care

benefits, flexible work schedules, get together programs, employee referral schemes, and paid leave

Table 12.1: Employee Benefits

Benefit	Description
Free or subsidized lunches	Employees are provided with a free or subsidized working lunch, with a wide variety to choose from.
Medical facilities to the employee and his/her family	Employees and their families are provided with free of cost medical facilities. Reimbursement of incurred expenses from external medical facilities can also be availed of
Paid holiday/vacation to the employee and his/her family	Employees are provided with paid holiday or paid vacation along with their families.
Retirement benefits	Compulsory payment of retirement benefits like provident fund and gratuity is made to employees.
Employee insurance	Employees are insured for life and against accidents, disability or illness, for example, the Employee State Insurance Act (in India).
Maternity leave	Maternity leave of 90 days and other extended benefits are provided to expectant mothers and new mothers.
Child-care centers	Day care centers are provided for the employees' children.
Educational allowance for employees' children	A fixed educational allowance is provided toward school-related expenses of the employees' children.
Merit scholarships for employees' children	Merit scholarships are awarded to the employees' children to encourage them.
Company accommodation	Employees are provided with subsidized quarters or are either paid the lease amount or the rent that they have to pay.
Company transportation facilities	Employees are provided with company cars or buses, so as to reduce the difficulty and time

Management and Development of Human Resources

Benefit	Description
	involved in commuting, between office and home.
Cafeteria and rest rooms	Cafeterias with free or subsidized snacks/tea/coffee and restrooms are provided for employees doing over-time duties.
Study leave	Study-leave of 2-3 years is given to the employees to allow them to acquire knowledge and earn higher qualifications.
Company sponsored study	The educational expenses of employees are sponsored.
Club memberships	Exclusive club memberships are offered to the middle and senior level managers in the organization.
Recreational facilities	Recreational facilities, ranging from a TV room to a well-equipped gym are provided to the employees.
Credit cards	Credit cards are provided to the employees at subsidized rates.
Business and professional memberships	The professional membership fee of the employees is paid by the company.
Tax assistance	Tax assistance to prevent employees from facing tax planning hassles is provided.
Interest-free loans	Interest-free loans or loans at nominal interest rates are provided to the employees.
Other assistance	The company provides assistance in getting the employees' children admitted to a school, payment of bills, etc.

12.20.1 Objectives of Employee Benefits

Employee benefits are aimed at making the employees feel committed to the organization, by providing social and personal security and comfort. Following are some of the fundamental objectives of employee benefits:

- To provide special allowances to employees, so as to match the increasing cost of living, provide them with social security, and improve their quality of work life
- To reward employees for their employment with the organization and give them special privileges for holding a certain position
- To maintain harmonious industrial relations, by meeting the union's demand with regard to employee benefits
- To attract and retain talented people and improve the organizational commitment of the employees
- To allow the employees, as well as the employers to derive some special benefits (such as tax benefits)

12.20.2 Some Modern Concepts in Employee Benefit Schemes

The golden parachute and the cafeteria benefit plan are some modern concepts in the employee benefit schemes.

Golden Parachute

The golden parachute, a provision in the employment contracts of an organization's top management, ensures the provision of compensation or attractive benefits for the loss of a job, due to the acquisition of the organization by another organization. Under this provision, a lump-sum amount or payment over a specified period at full or partial rates of normal compensation is made. It helps in minimizing conflicts, between the shareholders and managers arising in the event of a change of control. The different forms of golden parachute are salary continuation, bonus and/or certain benefits and perquisites, retirement benefits, and accelerated vesting of stock incentives.

Cafeteria Benefit Plan

The cafeteria benefit plan, also referred to as the flexible benefit plan, gives the employees the option of selecting the most suitable benefit schemes. After making an assessment of the employee needs and preferences, the management customizes the benefit programs. These customized programs are retained within a broad framework, taking into consideration the rules and the costs involved.

Focus on New Age Rewards and Compensation Strategies:

By keeping mind the continuing economic uncertainty resulting from global economic recession at regular intervals, attention needs to be focused on the possible consequences like low wage growth and talent shortages. As such, the most effective reward strategies traditionally focused on maximizing profits of

the firm are to be reoriented towards organizational investment in talent in order to boost staff productivity.

There are so many factors that have changed the perception towards economic pay over the last five years, leading to much discussion on the future of work and what impact technology in general, and artificial intelligence software in particular, is likely to have on the way companies operate and reward people. Right now, it feels a bit as if we are stuck between past and future worlds, neither here nor there but rather in a state of transition. But if you look back in time, this kind of economic stalling is a consistent phenomenon seen during the historical, technological leaps of the last 150 years, including the invention of the automobile and electrification, say many experts. Hence, productivity has tended to be slow in the decades following their introduction, even when they start moving into the mainstream. In other words, the economic impact of ground-breaking technologies often takes time to make itself felt as it is necessary to work out how to deploy them effectively first so as to avoid employee heart-burnings on various fronts. Hence, new age Rewards and Compensation management strategies have to address the following issues so as to make them more meaningful.

- **Prioritize compensation budgets to concentrate on 'key talent' suited to the changing times:**

As wage growth continues to be constrained in many parts of the world, it is easy to fall into the trap of making little differentiation between employees when handing out pay rewards. Some people refer to this as the 'peanut butter approach' which failed to work out the expected benefits of employee satisfaction. But to really optimize compensation spend, it is necessary to move away from the traditional bell curve approach, which simply ends up allocating the majority of the organization's pay budget to average performers. Instead it makes more sense to concentrate your expenditure on key talent happens to be the products of Digital times. Identify business-critical roles, which high value staff members could be at risk of leaving, and think about their skills in a wider market context. Remember that, ultimately, pay is your talent insurance and accordingly revision has to take place.

- **Exploring the possibilities for replacing 'performance-related pay':**

It is found that during 2018, many multi-national organizations continued to abandon annual reviews and performance ratings in favor of evaluating performance on a more regular basis using continuous, real-time feedback. But this scenario raises inevitable questions about how to manage performance-related pay in a rating-less world. Some trailblazer organizations that went down this route first adopted a mainly discretionary

approach, allowing managers to make their own assessments. Some used 'shadow ratings' during compensation reviews based on broader criteria than simply past performance such as 'promotability' and 'potential', but this information would typically not be shared with employees. Others tried 'stack ratings', where staff members are in essence ranked from one to x and pay is calibrated accordingly. Again, this information is not typically shared with the employees concerned. In both cases, as a rating of sorts happens behind the scenes, such schemes may not sit comfortably with notions of fairness and transparency. In other words, it is important to find new ways of compensating key talent that can be understood and communicated effectively.

- **Work out Rewards Segmentation**

In recent times, on top of all of this, another layer of complexity is beginning to emerge in terms of pay differentiation as the number of workers employed on full-time, permanent contracts starts to decline. Hence, it is important to find ways of managing rewards effectively for different types of workers. To make life even more complicated, some organizations are already discussing whether to add bots to their company headcount, which raises the question of how long it will be before they have to go on payroll too? While this scenario may seem a bit far-fetched today, many organizations already have multiple talent models that co-exist as they increasingly understand that a one-size-fits-all approach to reward no longer works well. This means that the new decade should be a time to consider how to combine a range of different reward approaches that match the company's reward principles.

- **How to Personalize Rewards?**

Many employers that find themselves unable to offer big pay rises are looking for non-monetary approaches to help them engage their employees more effectively. While the focus to date has been on employee choice in the benefits arena, it has been less the case in terms of mainstream compensation, which still consists mainly of 'fixed' and 'variable pay'. As organizations become more 'employee-centric' though, it is likely that staff will want to see more flexibility and more available options in their reward packages. This could mean including more 'intrinsic reward' items in the total offering or allowing more flexibility as to whether employees are paid in a fixed, variable, cash or non-cash way. It is more evident that the new age staff wants to make decisions based on what stage of life they are at and in line with their risk tolerance. Hence, undertaking an audit of the reward options on offer, how they align with different talent groups and whether they are effective or not becomes a reality.

Management and Development of Human Resources

- **Tackling 'pay equity':**

It is not exaggeration to say that as pay gap legislation continues to emerge globally; employee expectations around pay equity and transparency are mounting, leading to the risk of increased litigation. As a result, pay equity is having an ever-greater impact on brand perception and, ultimately, an organization's ability to attract and retain talent. Whether you operate globally or locally, it is imperative to identify where your pay gaps lie, what is causing them, what action will be required to reduce them and at what cost. Such insights will also help the firm to address employee perceptions of pay inequity, which is mostly overestimated by many firms.

In the current challenging employment environment, it is important to focus on the delicate balancing act of differentiating wages sufficiently to encourage high performance and staff retention, while also ensuring pay equity as the workforce continues to become increasingly diverse.

Check Your Progress-11

35. An effective way to motivate employees is to give them non-monetary incentives for their performance and contribution to the organization. Among the following, _____ is **not** a non-monetary incentive.
- a. A holiday for two at Singapore
 - b. Awards for exceptional performance
 - c. Giving additional responsibility to the good performer
 - d. Increasing the employee's annual bonus
36. Interest-free loans provided by companies to their employees, are an example of _____.
- a. Benefits
 - b. Incentives
 - c. Performance-based rewards
 - d. Bonus
37. In 2003, Universal Trust Bank was acquired by Diamond International Bank. As a result of this, a number of employees at the top management level of the acquired bank lost their jobs. They were given a lump-sum payment, according to the provisions in their employment contracts, when their services were terminated due to change in ownership of the bank. What is this type of employee benefit scheme known as?
- a. Golden parachute
 - b. Cafeteria benefit plan

- c. Golden handshake
- d. Voluntary retirement

12.21. Summary

- Job evaluation helps in determining the relative worth of each job in an organization. Organizations make use of several quantitative and non-quantitative techniques for the purpose of job evaluation.
- The total compensation of an employee consists of the base wage, incentives, and benefits. There are three different concepts of wages, namely minimum wage, fair wage, and living wage.
- The traditional wage plans are based on the time system and the piece system. Skill-based pay, competency-based pay, and broadbanding are some of the modern approaches to wage determination.
- Variable compensation programs are designed to motivate individuals and groups by paying the employees, based on their performance.
- The compensation paid to the CEOs or top executives of an organization is referred to as executive compensation.
- Wage differentials can be defined as the difference in wages paid for the same or similar work, because of various reasons like differences in work schedules, hazards involved, cost of living, or other factors.
- Organizational rewards are those that the employee earns as a result of his/her employment with the organization. Rewards may be classified as: 1) extrinsic and intrinsic, and 2) financial and non-financial.
- Incentives/ performance-based rewards are the rewards to an employee, over and above his/her base wage or salary, in recognition of his/her performance and contribution. Incentive plans are of two types: short-term incentive plans and long-term incentive plans.
- Employee benefit is an excellent tool for retaining employees and improving the bottom-line of an organization. Benefits are fringe advantages that accrue to an employee over and above his/her salary, as a result of his/her employment with an organization, and his/her position in the organization.

12.22. Glossary

- **‘Payment by results’ system (system of wage payment):** The wage for each piece of work is fixed and the workers are paid, only after completion of the work.

Management and Development of Human Resources

- **Annual bonus (long-term incentive plan):** A one-time payment made at the end of the year or at the time of a major festival. It is based on a company's annual performance. As per the Payment of Bonus Act, 1965, every employee is entitled to receive a minimum bonus of 8.33% of the salaries/wages earned during the accounting year or Rs. 100, whichever is higher, subject to other provisions of the Act.
- **Barth system of wages (short-term incentive plan):** It does not assure a minimum wage to the workers.
$$\text{Wages} = \{\text{Hourly Rate} \times \sqrt{(\text{Standard Time} \times \text{Time Taken})}\}.$$
- **Benefits or membership-based rewards:** Rewards received by an employee for his/her employment and position in the organization. Sponsoring the educational expenses of the employee, paid vacations for the employee's family, scholarships for the employee's children, etc., are examples of benefits.
- **Benefits:** Fringe advantages that accrue to an employee over and above his/her salary, as a result of his/her employment with an organization and his/her position in the organization.
- **Broadbanding (modern approach to wage determination):** This system reduces the number of salary levels in an organization into broad salary bands. These salary bands usually have a fixed maximum and minimum, which coincide with the other bands.
- **Cafeteria (or flexible) benefit plan (modern concepts in employee benefit schemes):** Employees are given the option of selecting the most suitable benefit schemes. After making an assessment of the employee needs and preferences, the management customizes the benefit programs. These customized programs are retained within a broad framework considering the rules and the costs involved.
- **Combination plan (profit-sharing plan):** A combination of the deferred and distribution plans. The employees receive a portion of each period's profit in cash bonus and the balance is put into a deferred plan.
- **Compensation administration:** The system of compensating employees in a fair manner, maintaining the principles of equity, and matching the expectation of the employees.
- **Competency-based pay (modern approach to wage determination):** An employee who performs the best on a job is selected, his/her competencies are identified, and he/she is rewarded for them. All the other employees are then compensated, based on the extent to which they demonstrate the competencies that have been identified.
- **Decision band method (DBM) (quantitative technique of job evaluation):** It is based on the principle that the value of a job depends on its decision-making requirements. This method differentiates between six

levels of decision making or 'decision bands', ranging from the simplest decisions to the most far-reaching decisions on organizational objectives. The decision-band job evaluation process produces a decision-based structure. The number of grades and sub-grades used depends on the organizational structure and the desired degree of differentiation.

- **Deferred plan (profit-sharing plan):** Employees are entitled to profit-sharing credits, instead of immediate cash payment. These credits are distributed when the employee leaves the organization.
- **Distribution plan (profit-sharing plan):** Employees get an annual or quarterly cash bonus based on a pre-determined formula and the company's profits.
- **Employee stock plans (long-term incentive plan):** Employees are given a part of the company's ownership at a price below the market price, considering their duration and/or meritorious performance on the job.
- **Executive compensation:** Compensation paid to the CEOs or top executives of an organization, for the purpose of motivating and retaining them.
- **Extrinsic and intrinsic organizational rewards:** Extrinsic rewards are tangible and within the organization's control, as for example, bonus. Intrinsic rewards are intangible and are internal to the individual, as for example, a challenging assignment.
- **Factor comparison method (quantitative technique of job evaluation):** It is a sophisticated and quantitative technique of job evaluation, which is based on the principles of point rating and ranking methods.
- **Fair wage:** Workers who perform work of the same nature, should be entitled to equal or fair wages. Fair wage should consider the financial capacity of the employer and the workload of the organization.
- **Financial and non-financial organizational rewards:** Financial rewards are tangible and paid in monetary terms (like bonus). Non-financial rewards are intangible and paid in kind (like subsidized lunch), but can be measured in terms of their value to the employee.
- **Gain-sharing (long-term incentive plan):** Groups are rewarded for their team work, coordination, and other activities that aided in their success, external factors being disregarded. They are entitled to gain-sharing irrespective of whether the firm earns a profit or not.
- **Golden parachute (modern concepts in employee benefit schemes):** Under this provision, a lump-sum amount or payment over a specified period at full or partial rates of normal compensation is made. It ensures the

Management and Development of Human Resources

provision of compensation or attractive benefits for the loss of a job, due to the acquisition of the organization by another organization.

- **Halsey plan (short-term incentive plan):** A fixed standard output has to be completed within a prescribed time. A worker who completes the work before the prescribed time receives a percentage of his/her wage as extra earnings. $\text{Extra Wage} = \text{Plan Percentage of Wages} \times \text{Time Saved} \times \text{Hourly Rate}$. Therefore, $\text{Total wage} = \text{Extra earnings} + \text{Base wage}$.
- **Incentives or performance-based rewards:** Rewards such as employee stock option plans and annual performance incentives given to an employee, over and above his/her base wage in recognition of his/her performance and contribution to the organization.
- **Job analysis:** It is done to help in understanding the tasks and responsibilities associated with it and the competency set required, to perform the tasks involved and to fulfill the responsibilities.
- **Job classification (or job grading) (non-quantitative technique of job evaluation):** In this, classification and grading of jobs is done, based on their significance and importance to the organization. Grades are formulated on the basis of the nature of tasks and responsibilities of the jobs, the authority associated with them, and the knowledge and skills required for the jobs. A single grade is assigned to the jobs across the company at the same level.
- **Job description:** The tasks, duties, and responsibilities associated with each job are compiled to form a job description.
- **Job evaluation:** A systematic way of analyzing and evaluating jobs for determining the relative importance of each job in an organization. It forms the basis for designing the compensation management system in an organization.
- **Job specification:** The knowledge, skills, and attitudes needed to successfully perform a job are compiled to form the job specification.
- **Living wage:** These should enable the male earner to provide for himself and his family, (not only) the bare essentials of food, clothing and shelter, but (also) a measure of frugal comfort, including education for the children, protection against ill-health, requirements of essential social needs and a measure of insurance against the more important misfortunes, including old age.
- **Long-term incentive plan:** These are associated with the employee's performance over a long period of time (usually a year and sometimes his/her tenure with the organization).

- **Minimum wage:** Governed by the Minimum Wage Act, 1948, it is the amount of remuneration, which is just enough to enable an average worker to meet all his/her obligations. It is either the minimum piece-rate or the minimum time-rate.
- **Organizational rewards:** Rewards earned by the employees, as a result of their employment with the organization.
- **Paired comparison (technique of ranking):** It involves ranking each job with every other job in the organization. The jobs are ranked after this comparison in pairs.
- **Piece wage plan (system of wage payment):** The work done is measurable and the workers are paid for the work done. The earnings of the workers are directly related to their productivity and act as an incentive for workers to maximize production.
- **Point rating (or point) method (quantitative technique of job evaluation):** It involves developing a quantitative point scale for job evaluation. Different types of jobs, however, may require different scales, which are determined by the job evaluation analyst or the human resources function.
- **Point-rating system (short-term incentive plan):** Each job is rated in terms of a standard time (a day or a week). After the completion of this standard time, an assessment of the output of each worker is made. The workers are then paid accordingly, at the appropriate time-rate for the standard-time value of the work done.
- **Profit-sharing (long-term incentive plan):** Employees earn a percentage of the company's total profit. The three types of profit-sharing plans are distribution plan, deferred plan, and combination plan.
- **Progressive bonus (short-term incentive plan):** The earnings of a worker start increasing at a progressive rate, once the output crosses the minimum or standard output. Payment of bonus starts at a specified level of output (say, 75% of standard output). Workers, who do not reach the specified level of 75%, are paid daily wages, at the hourly rate. Workers producing beyond this level are paid on a graduated scale, which increases slowly at first and then rapidly as the worker nears 100% efficiency.
- **Ranking (non-quantitative technique of job evaluation):** In this, jobs are assessed based on the knowledge, skills, effort, and other dimensions associated with each job. Job descriptions are prepared and ranks assigned to the jobs based on their relative importance in the organization.
- **Relative ranking (technique of ranking):** It involves identifying a representative job, determining its importance, and then ranking the other

Management and Development of Human Resources

jobs based on their relative importance with respect to the representative job.

- **Rowan plan (short-term incentive plan):** The worker is assured of a minimum wage on a time basis. Then, a standard time is fixed for completing the work. If the worker completes the work before time, he/she earns more for the time saved. $\text{Extra Earnings} = (\text{Time Saved} \times \text{Time Taken} \times \text{Hourly Rate}) / \text{Standard Time}$. Therefore, $\text{Total earnings} = \text{Minimum wage} + \text{Extra earning}$.
- **Short-term incentive plans:** These are related to the productivity of an employee over a short time-period (a day, a week, or a month), and are usually based on time rates or piece rates.
- **Single factor ranking (technique of ranking):** In this, a single dimension (or factor) of a job, which is of utmost importance is identified. Then a comparison is made between this dimension and the single most important dimension of the other jobs.
- **Skill-based (or knowledge-based) pay (modern approach to wage determination):** Employees are compensated for their job-specific skills. They are usually hired at rates, below the prevailing market rates, and once they gather knowledge and new skills, they are given promotions along with increased pay.
- **Task bonus system (short-term incentive plan):** The work of each member in the team is predetermined and he/she has to accomplish it, in order to get a bonus above his/her standard pay. Using the Gantt method, a bonus is paid over and above the time wage, if the standard task is accomplished. Using the Taylor method, the rate of piece wages is raised, once the task is accomplished.
- **Time wage plan (system of wage payment):** The workers are assured of a fixed amount of wages (irrespective of the output level) and are paid for the time period for which they have been employed. Workers are given a fixed time schedule and normally cannot earn more than a fixed amount. In case the worker wants to earn more, he/she may work over-time or extra shifts, provided that there is an organizational need for it.
- **Total compensation:** The base salary, the incentives, and the benefits put together, constitute the total compensation of the employee.
- **Variable compensation programs:** These have been designed to motivate individuals and groups by paying them on the basis of their performance and not on the basis of their position in the organizational hierarchy.
- **Wage differentials:** Difference in the wages paid due to differences in work schedules, dangers involved, cost of living, etc., for the same or similar type of work.

12.23. Self-Assessment Test

1. Job evaluation helps in determining the relative worth of a job in an organization in a systematic, consistent, and accurate manner. Explain the concept of job evaluation and state its objectives. What are the various steps involved in the job evaluation process?
2. Both quantitative and non-quantitative techniques are used for the purpose of job evaluation. Briefly discuss these techniques.
3. Explain the concept and purpose of compensation administration. What are the principles that govern compensation administration?
4. Wages form the basis for the calculation of the compensation of an employee. What are the different concepts of wages and how are they quantitatively related to each other?
5. There are different wage payment systems that are prevalent in different industries and in different countries. Explain the basic wage plans.
6. Organizational rewards are those that the employee earns as a result of his/her employment with the organization. Explain the concept of organizational rewards. Explain the concept of incentives as a reward to an employee.
7. What are the two types of incentive plans? Enumerate and explain the various incentive plans under both of these types.
8. With the passage of time, organizations are now being compelled to devise effective employee benefit schemes. What are the basic objectives of employee benefit schemes? In this regard, discuss some of the modern concepts in employee benefit schemes.
9. Give a brief note on the following:
 - Variable compensation
 - Executive compensation
 - Wage differentials
 - Non-monetary incentives

12.24. Suggested Readings / Reference Material

1. Vikrant Verma. "Human Resource Planning & Development", Thakur Publication Pvt.Ltd, January 2020
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Management and Development of Human Resources

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- 5 L M Prasad. Human Resource Management. Sultan Chand & Sons, 2018
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7. Mark Robergo, The right way to use compensation, www.hbr.org, April 2015

12.25. Answers to Check Your Progress Questions

Following are the answers to the Check Your Progress questions given in the Unit.

1. (b) Job evaluation

Job evaluation is a systematic process of analyzing and evaluating jobs, to determine the relative worth of each job in an organization. It forms the basis for designing the compensation management system in an organization.

2. (c) Updation of employee skills

The objectives of job evaluation are: determining the position and place of a job in the organizational hierarchy, clarifying the responsibility and authority associated with each job, managing internal and external consistency in the compensations, maintaining complete and accurate data relating to job description and job specification of various jobs, ensuring employee satisfaction with respect to compensation, avoiding discrimination of any kind in wage administration, and providing the basis for classification of new or changed jobs.

3. (b) Job analysis

Job analysis provides the basic foundation for job evaluation and helps in understanding the tasks and responsibilities associated with a job and the competency set required to perform the tasks and fulfill the responsibilities. Selection of job dimensions involves determining the different factors, which would form the basis for evaluating each job. Classification of jobs involves categorizing the jobs in a sequential order on the basis of the monetary values attached to them. The job evaluation plan is a detailed plan of how to go about the whole job evaluation exercise.

4. (a) Only i and iv

Ranking and job grading are non-quantitative techniques, whereas point rating method and factor comparison method are quantitative techniques.

5. (d) Relative ranking

In relative ranking method, a representative job is identified and its worth is determined. Subsequently, the relative importance of each job in comparison with the representative job is determined and then the job is ranked. In paired comparison method, each job is compared with every other job in the organization and then ranked. In the job grading method, the jobs are classified and graded on the basis of their significance and worth to the organization. In the single factor ranking method, the single most important dimension of a job is identified and compared with the most important dimension of other jobs.

6. (c) Freezing the grades and assigning monetary values to the key grades, and then to all other grades

In the job grading/classification method, the last step involves freezing the grades and assigning monetary values to the key grades, and then to all other grades.

7. (d) i, v, vi, ii, iv, iii

In the point rating method, the first step is determining the job factors or compensable factors; the second step involves determining the sub-factors; the third step involves defining the degree statements or profile statements; and the fourth step involves assigning points to factors, sub-factors, and degrees. A chart is then prepared, with the values for each factor and sub-factor, broken down into degrees present, with clear, agreed definitions of the sub-factors and degrees. Finally, the point system is applied.

8. (b) Only i and ii

The advantages of the point rating method are that the system is accurate and dependable, and that wage differentials are likely to be systematic and in accordance with the content of each job. The disadvantages of this method are that it is a complex and time-consuming assignment involving, high costs and a lot of clerical work.

9. (a) Ranking and point rating

The factor comparison method is based on the principles of the point rating and the ranking methods of job evaluation.

10. (b) Thomas T. Paterson

The decision band method was originally developed by Professor Emeritus Thomas T. Paterson in the 1970s, and further developed and refined by Ernst & Young's Compensation Specialists for application in client organizations.

11. (c) Decision band

The basic premise of the decision band method is that the value of a job depends on its decision-making requirements. Decision making is a logical and equitable basis for comparing jobs, because all jobs require the incumbents to make decisions of some kind in order to perform their jobs – whether they are line or staff, supervisory or non-supervisory, and/or union or non-union.

12. (c) It helps to introduce rigidity into the pay system.

The advantages of job evaluation are: it helps in comparing the organization's wage structure with competitors' wages and the market rates; it helps to prevent and remove discrepancies in the wage structure of an organization; and finally, the information collected for job evaluation can be used for decisions related to the selection, transfer and promotion of employees. The fact that it introduces rigidity into the pay system and reduces opportunities for managers to exercise discretion is a limitation of the method.

13. (d) Only i and ii

The principles governing compensation administration are: maintenance of equity in the distribution of wages and salaries in the organization; maintenance of competitiveness in the wage market, in comparison to other players in the industry; matching employee expectations; reinforcing positive employee behavior and contribution to the organization; elimination of any discrepancies in wage administration in the organization; devising a system that is the most efficient for the organization; optimization of management and employee interests; and maintenance of good industrial relations and harmony, with respect to compensation.

14. (d) Satisfying employees' needs and meeting their expectations in order to motivate and retain them

The main/basic purpose of a salary or a compensation administration in an organization is to satisfy employees' needs and to meet their expectations in order to motivate and retain them.

15. (d) Children's education, medical requirements, minimum recreation including festivals/ceremonies, and provision for old age, marriages, etc., should constitute 75% of the total minimum wage.

In fixing the minimum wage, the norm used is that "Children's education, medical requirements, minimum recreation including festivals/ceremonies, and provision for old age, marriages, etc., should constitute 25% of the total minimum wage". As per the law, employees are

entitled to a minimum wage at all times and under all circumstances. The law also states that an employer, who cannot pay the minimum wage, has no right to engage labor and no justification to run a firm.

16. (c) Living

The Fair Wages Committee observed “Living wages should enable the male earner to provide for himself and his family, (not only) the bare essentials of food, clothing and shelter, but (also) a measure of frugal comfort including education for the children, protection against ill-health, requirements of essential social needs and a measure of insurance, against the more important misfortunes, including old age.”

17. (c) Living wage

The living wage is the highest in terms of value, among the four types of wages, namely, fair wage, minimum wage, base wage, and living wage.

18. (a) Government employees

The First Central Pay Commission introduced the concept of ‘living wage’ for the government employees for the first time. The Commission felt there was a need to award incentives to workers and to share the gains of the organization, through provision of higher wages and a better standard of living for workers.

19. (a) Time wage plan

Under the time wage plan, the employees are assured of fixed amount of wages, irrespective of the output. In this plan, employees are paid for the time for which they have been employed.

20. (b) Skill-based pay

Under a typical skill-based system of wage payment, companies hire people at below-market rates. Once these employees gain extensive knowledge and new skills, they are promoted and are rewarded with an increased pay.

21. (a) Pay the employees according to their performance and not according to their positions in the organizational hierarchy

The main purpose of designing a variable compensation system is to pay the employees, according to their performance and not according to their position in the organizational hierarchy. These programs are designed to motivate individuals and groups that contribute effectively, as they differentiate between performers and non-performers.

Management and Development of Human Resources

22. (d) Activity level

Variable compensation is paid at three different levels, namely, worker level, manager level and group level.

23. (d) i, ii, iii, and iv

Given the size and complexity of today's businesses, large corporations are not easy to run. It is only a few people, who combine the competence, expertise, and temperamental ability to lead an organization on its path to success, year after year. Scarcity of qualified talent, the demand for executive accountability, and long-term commitment to the organization are important elements to be considered in designing executive compensation.

24. (a) Regional

Wage differentials can be defined as the difference in wages paid for same or similar work, because of various reasons like differences in work schedules, hazards involved, cost of living, or other factors. Wage differentials between India and the US and other developed nations are an example of regional/location differences.

25. (a) Working Class Family Income and Expenditure Survey

The 'Working Class Family Income and Expenditure Survey', enables the revision of the base of the consumer price index numbers for industrial workers and in the compilation of index numbers with the new year as the base. This also helps to analyze the income and expenditure data to design center-specific reports. Examples of other surveys are Occupational Wage Survey, Contract Labor Survey, Survey of Labor Conditions, Annual Survey of Industries, Survey of Socio-economic Conditions of Different Segments of Labor, etc.

26. (c) Extrinsic

Organizational rewards are those that an employee earns, as a result of his employment with the organization. Most organizations link their reward system to employee performance and commitment to the organization. Rewards can be both extrinsic and intrinsic. Extrinsic rewards are tangible in nature and are normally under the control of the organization. Examples of extrinsic rewards are a promotion or a bonus.

27. (a) Incentives

Employee Stock Options Plans (ESOP), an example of incentives, is used by many companies to compensate, retain, and attract employees. Benefits are rewards an employee receives for his employment and position in the organization. Benefits can also be termed as

membership-based rewards. The base salary, incentives and the benefits combined together, forms the total compensation of an employee.

28. (d) Benefits

Benefits are the rewards an employee receives for his employment and position in the organization. They can also be termed as membership-based rewards.

29. (a) Rs. 7.50

According to the Rowan plan, the formula for calculating extra earnings is: $(\text{Time saved} * \text{Time taken} * \text{Hourly rate}) / \text{Standard time}$.

30. (c) Task bonus system

The task bonus system is a short-term incentive plan, which emphasizes on teamwork and coordination. Under this method, the task of each group member is pre-determined and he has to achieve it to earn a bonus, above his standard pay.

31. (a) Progressive bonus system

Under progressive bonus system, the earnings of a worker increases at a progressive rate, once the output crosses a minimum or standard output.

32. (a) Employee stock plan

In the Employee stock plan, the employees are given a part of the ownership of the company, at a price lower than the market price, taking into consideration the duration of their employment with the company and meritorious performance on the job. In the profit-sharing incentive method, employees earn a share of the company's profit, which is generally calculated as a percentage of total profit. Gain-sharing is a method of rewarding groups for their successful performance. Progressive bonus is a short-term incentive plan, where the earnings of a worker increase at a progressive rate, once the output crosses a minimum or standard output.

33. (c) Sales incentive plan

The three major types of profit-sharing plans are the distribution plan, the combination plan, and the deferred plan.

34. (b) Combination Plan

A combination plan is not a type of employee stock plan. It is a combination of the distribution and deferred plans.

Management and Development of Human Resources

35. (d) Increasing the employee's annual bonus

Annual bonuses are monetary incentives.

36. (a) Benefits

Interest-free loans provided by companies to their employees are an example of benefits. Benefits are fringe advantages that accrue to an employee, over and above his salary, as a result of his employment and position in the organization, and which are not related to his performance.

37. (a) Golden parachute

The golden parachute is a provision in the employment contracts of the top management, which ensures the provision of compensation or lucrative benefits for the loss of a job following a change of control (i.e. acquisition). In a cafeteria benefit plan, the management customizes the benefit programs, after assessing employee preferences and needs. Golden handshake and voluntary retirement, both pertain to asking an employee to retire voluntarily in the event of downsizing, for which they are compensated monetarily.

Unit 13

Occupational Safety and Health

Structure

- 13.1. Introduction
- 13.2. Objectives
- 13.3. Causes of Safety and Health Problems at the Workplace
- 13.4. Provisions to Prevent Accidents in the Workplace
- 13.5. Safety and Health Programs in Organizations
- 13.6. Stress and its Consequences on Employee Performance
- 13.7. Challenges in the Service Sector
- 13.8. Summary
- 13.9. Glossary
- 13.10. Self-Assessment Test
- 13.11. Suggested Readings/Reference Material
- 13.12. Answers to Check Your Progress Questions

13.1. Introduction

In the previous unit, we have discussed compensation management. In this unit, we shall discuss occupational safety and health.

As per the statistics of the International Labor Organization, each year, at least 1.9 million people die and 90 million disability-adjusted life years (DALYs) were estimated to be attributable to exposure to 19 major occupational risk factors.. These accidents sometimes prove to be dangerous and even fatal. A number of legislations have been passed to protect the interests of the workers regarding health and safety. However, it is also important that the corporate houses (both manufacturing as well as service) take the necessary measures to provide a safe and healthy work environment for their workers. Health and safety of the employees is, thus, a crucial aspect that helps in smooth and effective functioning of an organization.

This unit will discuss the causes of safety and health problems at the workplace. We shall then discuss the provisions to prevent accidents at the workplace. We shall then move on to discuss the safety and health programs in organizations, and study the concept of stress, and its consequences on employee performance. Finally, we will discuss the challenges involved in the service sector.

13.2. Objectives

By the end of this unit, students should be able to:

- Determine the causes of safety and health problems at the workplace.
- Discuss the provisions to prevent accidents in the workplace.
- Evaluate the various safety and health programs undertaken by organizations.
- Define stress and explain its consequences on the performance of the employee.
- Identify the various challenges in the service sector.

13.3. Causes of Safety and Health Problems at the Work Place

The Factories Act, 1948, defines accident as “an occurrence in an industrial establishment causing bodily injury to a person, which makes him unfit to resume his duties in the next 48 hours.” An accident is not anticipated or designed. It occurs due to the callousness of the employer, inattentiveness of the employee, and/or due to technical problems. The causes of accidents are:

13.3.1 Lack of Education and Training

A majority of the organizations do not provide proper training to their employees, regarding the usage and maintenance of their machinery and chemicals. Carelessness on the part of workers, while operating powerful machines, may also result in serious injuries. Unsafe machines should be fenced and instructions on how to operate them should be provided to the employees. Training should be imparted to those who are working in mines, chemical factories, and nuclear environments. Care should also be taken regarding storing and making use of chemicals and nuclear materials.

13.3.2 Human Errors

These errors are committed both by the employees as well as the employers. Employees who are careless and have the tendency to make mistakes are referred to as ‘accident prone’ employees. These employees should be identified and shifted to a safer workplace, so as to ensure that they do not cause any harm either to themselves or to the other employees. Management may sometimes ignore employee complaints regarding the functioning of a machine, citing financial constraints as the reason. Such carelessness, in some cases, may turn out to be fatal for the employees.

13.3.3 Technical Errors

In order to prevent accidents as a result of technical errors, a thorough inspection of the machinery should be made on a regular basis and a safety engineering program implemented, so as to locate any defects in the machine. Prior warning should be given to the workers about any problems, so that they do not result in accidents.

13.3.4 Psychological Problems

Stress, which may be due to personal or professional problems, is a serious workplace problem. It leads to low employee productivity and other problems. Employees working under high stress conditions make mistakes and are prone to accidents. Such employees should not work with high risk machines. Some employees suffer from psychological problems, because of which they refuse to listen to the instructions given by the supervisors and work carelessly.

13.3.5 Occupational Hazards and Risks

Some industries are by nature dangerous for the employees working there. The largest known cause of occupational diseases is asbestos that causes asbestosis, lung cancer, and mesothelioma. Chemical substances like carbon monoxide and carbon dioxide, too, cause respiratory diseases, cancer, and other neurological infections among employees. The environmental hazards of improper safety measures are in the form of radiation, noise, shocks, and improper atmospheric conditions. Exhibit 13.1 throws light on Health, Safety and Environment (HSE) practices at ONGC.

Exhibit 13.1: Health, Safety and Environment (HSE) practices at ONGC

ONGC has always ensured that it protects and cares for the environment. It demonstrates its proactive environmental management through its integrated Health, Safety & Environment (HSE) Policy formulated in 1983. Notable HSE practices at ONGC are – Regular QHSE internal audit, Fire safety measures, regular fire and earth quake mock drill, health awareness program, Material Safety Data Sheet (MSDS), Personal Protective Equipment, implementation of Environment Management Systems (EMS), Occupational Health Safety (OHS), Near Miss Reporting, Governance, Risk management and Compliance reporting. As Health, Safety and Environment were integrated in ONGC's vision and mission, all three aspects are incorporated in new integrated HSE policy.

Source: <https://www.ongcindia.com/wps/wcm/connect/en/sustainability/environment/environment-management/> Accessed on October 08, 2021

Management and Development of Human Resources

Activity: Every year, on the factory floor of a chemicals manufacturing company, a larger number of employees are faced with severe respiratory diseases. They also fall prey to frequent accidents, which at times prove to be fatal. The worker's union in conjunction with the management has decided to conduct a thorough probe into the matter. What do you think are the possible cause(s) for such health and safety problems at the factory? In your opinion, what could be the **main** cause for safety problems in such an industry?

Answer:

Check Your Progress-1

1. With respect to accidents, the _____ states that “it is an occurrence in an industrial establishment causing bodily injury to a person, which makes him unfit to resume his duties in the next 48 hours”.
 - a. Explosives Act, 1884
 - b. Factories Act, 1948
 - c. Mines Act, 1952
 - d. Dangerous Machines (Regulations) Act, 1983
2. An unsafe working atmosphere in an organization results in accidents, causing harm to the health and well-being of the employees. Which of the following is **not** a cause behind such accidents?
 - a. Technical errors
 - b. Occupational hazards and risks
 - c. Human errors
 - d. Absence of proper legislation
3. Some employees in an organization are highly susceptible to human errors and tend to make a lot of mistakes. These mistakes at times may result in injuries and can sometimes prove to be fatal. What are these employees known as?
 - a. ‘Accident prone’ employees

- b. 'Careless' employees
 - c. 'Casual' employees
 - d. 'Sloppy' Employees
4. Some accidents take place as a result of defects in the machinery at the workplace. Such accidents are attributed to _____ errors.
- a. Human
 - b. Training
 - c. Psychological
 - d. Technical
5. Which of the following is **not** an environmental hazard resulting from improper safety measures?
- a. Noise
 - b. Stress
 - c. Radiation
 - d. Improper atmospheric condition
6. _____ is the largest known cause of occupational diseases like lung cancer and mesothelioma.
- a. Carbon dioxide
 - b. Asbestos
 - c. Carbon monoxide
 - d. Steel

13.4. Provisions to Prevent Accidents in the Workplace

Each and every organization should ensure safe working conditions so as to avoid accidents at the workplace. In India, there are several statutory provisions to ensure safe working conditions for the workers. For instance, the Factories Act has been enacted primarily with the objective of regulating working conditions in manufacturing concerns. It helps in securing health, safety, welfare, proper working hours, leave, and other benefits for the factory workers. Chapter III of the Act deals with the 'health of the workers', (cleanliness, waste disposal, ventilation, drinking water, etc.) whereas Chapter IV deals with the safety of factory workers (fencing of machinery, employment of children or adolescents, working near machinery in motion etc).

The legislations passed by the government act as safeguards for workers, while the ultimate responsibility in implementing effective safety and health programs, vests with the management.

13.5. Safety and Health Programs in Organizations

The effective implementation of safety and health programs at the workplace plays a crucial role in lowering workplace accidents. In order to implement an effective safety and health program, a safety and health policy should be formulated and employees made aware of it. The policy depends on the size of the plant, the nature of the industry, the production technology, and the attitude of the top management.

Management at all levels should be responsible and held accountable for occupational safety and the health performance of the organization. Each and every employee should also abide by the minimum standards of safety and health, and help in creating a safer working environment. Exhibit 13.2 delineates Golden Safety Rules laid down by L&T Hydrocarbon Engineering, that ensured high degree of safety and brought them many prestigious awards from elite institutions at national and International level.

Exhibit 13.2 L&T Hydrocarbon Engineering Safety Rules

The 10 mandatory Golden Safety Rules formulated by L&T are mapped against high-risk activities, followed by all the employees and contractors.

1. Adhere to Permit to work(PTW): Never operate or interfere with equipment without authorization
2. Adhere to applicable personal protective equipment rules
3. Protect yourself against a fall when working at height
4. Use adequate personal floatation devices (PFD)while working over water
5. Always report unsafe conditions, injuries and incidents promptly
6. Do not drive vehicle without wearing seat belt
7. Do not walk or position yourself under a suspended load
8. Do not use mobile phone and exceed speed limit while driving
9. Do not consume alcohol or drugs while working or driving
10. Do not smoke in prohibited areas

Source: <https://www.lnhydrocarbon.com/sustainability/health-safety-environment/>, Accessed on October 08, 2021

13.5.1 Prerequisites for an Effective Safety and Health Policy

In order to make the safety and health program successful, an organization should:

- Have the top management's support and guidance in the implementation of a safety policy.

- Provide education and training to the employees at all levels about the safety policy and its importance to the organization.
- Make safety and health all-pervasive and an important facet of organizational culture.
- Appoint a safety director so as to ensure the progress of the safety programs as per the set directions.
- Have a safety engineering process which includes new product design; designing of new processes and machines; providing safety devices for employees doing hazardous jobs; maintaining a well designed system for detection; prevention and control of fire, dust fumes, inflammable gases, and explosives; and keeping the workplace clean, well lit, and properly ventilated.
- Conduct audit across the organization so as to ensure implementation of the safety policy and strict adherence to safety rules.
- Keep track of the accidents taking place so as to prevent them in the future.

It is not mandatory for all organizations to have all these given elements in their safety and health program. However, taking them into consideration will help to prevent accidents from taking place.

Activity: Shraddha Engineering Works is committed to providing a safe and healthy work environment for those working on and visiting its plant. Toward this end, the company has designed a safety and health policy. What are the basic prerequisites that the company is likely to have taken into consideration, while designing an effective safety and health policy?

Answer:

Check Your Progress-2

7. Identify the factor which is **not** a determinant of a safety and health program to be formulated in a company.
 - a. Size of the plant

Management and Development of Human Resources

- b. Nature of industry
 - c. Market share of the company's product
 - d. Production technology
8. Hindustan Manufacturing Co. has decided to implement a health and safety program for its workers at the factory. What is/are the essential requirement/s for this program to become successful?
- i. Providing education and training to employees about the safety policy and its importance for the company
 - ii. Having a safety engineering process that includes designing of new products, processes and machines, structuring the layout of plants and equipments, etc
 - iii. Conducting an organization-wide audit to ensure the implementation of the safety policy and strict adherence to all the safety rules
 - iv. Support and guidance of the top management in the implementation of a safety policy
- a. Only i, ii, and iii
 - b. Only i, ii, and iv
 - c. Only ii, iii, and iv
 - d. i, ii, iii, and iv
-

13.5.2 Accident Prevention in the Workplace

Following are some of the steps that should be taken by organizations, while implementing safety and health programs, in order to prevent accidents at the workplace and provide a safe work environment for its employees.

Educating and Training the Employees

Employees in an organization should be trained and educated properly regarding the causes of accidents. Safety education develops safety awareness among employees and ensures safe working conditions and enhanced performance. Safety training also creates awareness among employees, about the hazards that they may encounter in the course of their work.

Safety training deals with providing immediate job knowledge, skills and methods of work, instructions to the employee, about the course of his/her work in a particular department or a job, and training him/her on how to prevent accidents and handle an accident situation, if it occurs. Employees should be made to understand the causes of accidents and ways to handle materials effectively, in order to avoid accidents.

Frequent Inspections by the Top Management

The top management should take the responsibility of inspecting safety at the workplace on a regular basis, so as to know the workplace problems and the reasons for the occurrence of accidents. Whenever a new machine is installed, it is the responsibility of the management to ensure that the worker operating the machine has the requisite skill and knowledge to operate it. Outdated or unsafe machines should be replaced from time to time. Apart from these, the management should also offer suggestions for dealing with the situation when an accident occurs, and should give the injured employee sufficient recovery time. The management should also provide counseling sessions to prevent such incidents in future.

Tabulating and Analyzing the Causes for Accidents

Tabulation and analysis of accidents should be done in terms of costs (like cost of wages to injured workers, cost of replacing the employee, loss of income because of missed delivery dates, etc.) as well as causes (whether human or technical). Areas of frequent accident occurrence should be identified and steps taken for prevention of accidents. It is the responsibility of an organization to make employees aware of the costs of accidents. To reduce human error, accident prone individuals should be identified and shifted to safer work areas. An accident report of an organization should contain details regarding:

- The number of employees exposed to the accident and the work being performed by them at the time of accident
- The intensity of the accident and its after-effect on the employees
- The date, time, and the day of the occurrence of the accident
- The personal data of the employees involved in the accident and the number of years of their employment in the organization
- The reason behind the accident (human or technical).

Conducting Regular Employee Wellness Programs

Employee wellness programs should be conducted by organizations, so as to make employees understand the causes for accidents occurring at the workplace. Apart from guiding the employees in carrying out their work effectively, such programs also help them to mingle with their colleagues and develop good inter-personal relationships.

Designing a mental Health Program

Psychological stress of the employees in an organization can result in a number of problems, which in turn might affect a firm's productivity and profitability records. Employees should be educated about the nature and importance of mental health problems. The company should also arrange for periodical stress-

relieving programs. Exhibit 13.3 talks about 8 ways managers can support employees' mental health.

Exhibit 13.3: 8 Ways Managers Can Support Employees' Mental Health

Prior to the pandemic too, many companies have measures in place to improve workplace mental health (often in response to pressure from employees). Those efforts are even more imperative today. Post-lockdown, when employees return office, leaders are likely to see employees struggle with anxiety, depression, burnout, and trauma.

What Can Managers Do?

Be vulnerable: Leaders sharing their mental health struggles opens the door for employees to feel comfortable talking with you about mental health challenges of their own.

Model Healthy Behaviors: Model healthy behavior so that your team members feel they can prioritize self-care and set boundaries

Build a culture of connection through check-ins: Go beyond a simple "How are you?" and ask specific questions about what supports would be helpful. Wait for the full answer and really listen,

Offer flexibility and be inclusive: Don't make assumptions about what your direct reports need; they will most likely need different things at different times. Take a customized approach to addressing stressors.

Communicate more than you think you need to: Remove stress where possible by setting expectations about workloads, prioritizing what must get done, and acknowledging what can slide if necessary.

Invest in training: As more and more employees struggle with mental health, it's important to debunk common myths, reduce stigma, and build the necessary skills to have productive conversations about mental health at work.

Modify policies and practices: Try to reframe performance reviews as opportunities for compassionate feedback and learning instead of evaluations against strict targets

Measure: Ensuring accountability doesn't have to be complicated; it can be handled in a simple pulse survey done regularly to understand how people are doing now and over time.

Source: <https://hbr.org/2020/08/8-ways-managers-can-support-employees-mental-health>

Making the Right Start and Get Going

In an organization, a well-organized health program should be initiated right from the employee selection stage. A pre-placement physical examination of employees to ensure their physical fitness for the job should be conducted. Besides, physical examinations should be conducted on a regular basis, even after selection. Organizations should also make the necessary arrangements (like a well-equipped medical dispensary) for dealing with emergency situations and physical examination of employees. Apart from these, there should also be:

- A defined number of work hours
- Rest pauses for short periods during working hours in order to overcome fatigue
- Holidays and paid leave so as to reduce absenteeism, stress, and labor turnover.

Enforcement and Disciplinary Action

In case an employee does not abide by the safety policy being implemented by the organization, the management should take the initiative to educate him/her on the problems that may arise as a result of such a careless approach to work. To motivate employees regarding the implementation of safety policies, units/groups with good safety records, employees who are cautious in preventing accidents, and those who are actively involved in spreading health and safety awareness can be rewarded. The management should take disciplinary action against those employees, who fail to pay heed to safety advice or who violate the safety provisions laid out by the organization. Such action may be in the form of reprimands, fines, and in some cases, even discharge from duty for extreme violation of safety rules.

Exhibit 13.4 The Tragedy

One of the world's worst industrial disaster that occurred due to the leakage of methyl isocyanate (MIC) on early morning hours of 3rd December, 1984 in pesticide plant named Union Carbide India Limited at Bhopal, Madhya Pradesh, India affected over 5,00,000 people. As per the official record, over 2,259 immediate deaths were reported due to the inhalation of poisonous gas and it is estimated that overall death were near to 38,000. As per the 2006 affidavit stated by the government, it measured that 5,58,125 injuries were caused due to the gas leak along with 38,478 minor injuries and around 3,900

Contd.

major and permanent injuries. To overcome the huge loss to the victims in 2008, the government of Madhya Pradesh announced compensation in terms of payments to the victims' families. Experts view that the incident had taken place at the plant number C of the Union Carbide factory in Bhopal; however, the cause of the disaster remained debatable. The government of India and local commissions argue that the leakage of methyl isocyanate got mixed with the water used for cooling plant. Both mixtures generated volumes of gases triggering the disaster. Another perspective that is overlooked about this disaster is management's negligence on health and safety concerns of the employees.

The UCIL factory was established in 1969 to manufacture the carbaryl (Sevin) using methyl isocyanate (MIC), an important ingredient in manufacturing of insecticides. In 1979, a separate manufacturing plant was constructed to meet the growing demand for insecticides in UCIL. The plant produced nearly 2,500 tons of carbaryl per year. The plant was designed to produce an output of 5,000 tons. During the earlier stages the selling of Carbaryl was very low; due to this the manufacturers started to reduce the costs; thus, it led to the decrease of employment. Maintenance was irregularly done and the low-graded steel parts were used. Before the time of disaster, there was no production as most of the material was available in the market.

UCIL has built three underground 68,000 liter liquid MIC storage tanks named E610, E611, and E619. In the December month leak, the liquid MIC production was in progress and being filled in these tanks. The safety measures of UCC describes that no tank should be filled more than 50% with liquid MIC. Nitrogen was used as an inert gas to pressurize each tank, such that the pressure allows liquid MIC to pump out from the tank as needed and also to keep the impurities out from the tank. In October 1984, tank E610 lost the capacity to hold the nitrogen gas pressure, thus it cannot pump out the liquid MIC. Soon after the MIC production was stopped; however, the tank was holding 42 tons of liquid MIC and the parts of the plant were closed for maintenance, which includes the repair of corroded pipe. In late November, the production of carbaryl was resumed. Re-establishing of pressure in tank E610 was rescheduled but failed, leaving the 42 tons of liquid MIC within the tank that was supposed to be pumped out of it.

The disaster took place within no time as the water entered into the tank filled with methyl isocyanate. This, lead to a chemical reaction resulting in the liberation of much carbon dioxide. This reaction resulted in increased temperature inside the tank to 200°C or 392°F. The tank could not withstand the pressure though the valves were designed to control the pressure during

Contd.

emergency like this. As a result, huge amounts of toxic gases were released into the air. As the pipes were rusted it made reaction faster and within two hours all the contents in the tank were released into the atmosphere leading to Bhopal disaster.

About 30 tons of methyl isocyanate escaped from the tank into the atmosphere in 45 to 60 minutes. An employee of UCIL triggered the plant's alarm system at 12:50 a.m. as the concentration of gas in and around it became hard to tolerate. The system was triggered with two siren alarms; one alarm sounded inside the premises of UCIL plant and the second alarm was for outside of the plant, which alerts the nearby residents and also city of Bhopal. The public alarm sounded at 12:50 a.m. and was soon turned off, as per company norms it was meant to avoid alarming the public over tiny leaks.

Before this disaster there were some incidents that were overlooked by management. In 1978, the local trade unions complained of pollution inside the plant but nothing was done. In 1981, a worker's death was reported due to inhalation of phosgene during the maintenance work. In January 1982, 24 workers were hospitalized due to inhalation of leaked phosgene. Later in February 1982, 18 other workers were affected by leakage of MIC. In the same year, in August, a chemical engineer suffered 30 percent burns due to MIC. In October, a supervisor and two workers suffered with several burns as they were exposed to chemical gas. Between 1983 and 1984, there were many gas leakages and other incidents in UCIL that were overlooked by the management. The negligence by management in terms of compromising on safety of employees in UCIL had led to Bhopal disaster.

In 1989, the owner of the factory UCC paid \$470 million to clear all the claims from the disaster and sold to Eveready Industries India Limited (EIIL), which later joined in McLeod Russel (India) Ltd. After seventeen years of disaster, Dow Chemical Company has purchased UCC IN 2001.

Cases like criminal and civil were filed in the District Court of Bhopal against UCC, UCIL and UCC CEO Anderson and the court concluded in June 2010 by sentencing two years' imprisonment to the former UCIL Chairman and a fine to pay \$2000 each to the UCIL employees in 1984, and to whoever was involved in the disaster. The disaster could have been avoided if management took appropriate safety and health measures at right time.

1Q. What measure could UCIL have taken to avert the Bhopal gas tragedy?

2Q. Enlist the causes of safety and health problems that lead to Bhopal gas tragedy.

Source: Compiled by Icfai Research Center

Check Your Progress-3

9. _____ is concerned with providing immediate job knowledge, skills and methods of work, besides instructing the employee about the course of his/her work in a particular department or a job and training him/her on how to prevent accidents and handle an accident situation, if it unfortunately occurs.
- Safety engineering
 - Safety training
 - Environment management
 - Root cause analysis
10. In the year 2006, a small fire broke out at a car manufacturing plant and thus production came to a temporary halt. Some of the workers were severely injured, whereas others managed a quick escape. In order to tabulate and analyze the accident, the company prepared an accident report. From the following, identify the item(s) definitely **not** contained in the accident report?
- Intensity of the accident and its future effect on the employees
 - Cause of the accident
 - The personal data of all the employees in the organization
 - The number of employees who were exposed to the accident and the work being performed at the time of accident.
11. A well-organized health program in an organization starts from the _____ stage itself.
- Recruitment
 - Placement
 - Selection
 - Socialization
12. With regard to occupational safety, health and productivity identify the statement which is **false**.
- Unduly long hours of work can damage an employee's health.
 - Rest pauses or breaks in working hours can solve the problem of fatigue.
 - Excessive holidays should be provided, which will foster productivity levels.
 - Adequate leave with pay helps in reducing absenteeism and stress.

13.6. Stress and its Consequences on Employee Performance

Stress is now being regarded as the major concern for maintaining the psychological wellbeing of employees. There are various reasons that increase the levels of employee stress.

13.6.1 Causes of Stress

- Job insecurity at the workplace due to mergers, acquisitions, reorganizations, and takeovers
- Unrealistic expectations and a demand for high performance by the management or the immediate supervisor
- Continuous advancement of technology and increased competition
- Not being aware of one's duties or what one is expected to do at the workplace
- Inability to adjust to the workplace culture
- Personal problems.

The physiological symptoms as a result of stress in employees are headaches, increase in blood pressure, heart attacks, etc. The psychological symptoms that arise due to stress are tension, anxiety, boredom, and forgetfulness which, lead to memory lapses. These may affect the overall productivity, since the employees may take to increased smoking, alcohol consumption, and high absenteeism. Thus, it is the duty of the management to identify these symptoms at the nascent stage and take up activities for reducing stress and providing better working conditions.

'Critical incident stress' is the more evident form of occupational stress, which arises from being exposed to trauma at the workplace. Occupations which experience trauma include the "paramedical and healthcare professionals, community care workers, and police, fire fighters and prison officers". Such professionals have only minimal control over the environment, the pace of work, or the kind of circumstances they have to deal with. 'Action-oriented' stress management strategies like taking control of the environment, identifying and eliminating stressors, etc. cannot do much for these people. Rational thinking strategies and building of mental 'buffers against stress' may be helpful to some extent.

13.6.2 Handling Employee Stress

Stress can be both positive and negative. Unlike positive stress, which improves employee performance, negative stress reduces it and hampers career development. Stress can be reduced through effective time management techniques, physical exercises, relaxation techniques, and counseling. An

Management and Development of Human Resources

organization can also take up a number of strategies/measures to reduce stress like setting realistic goals, encouraging employee participation in decision making, having an effective communication system, and conducting wellness programs.

13.6.3 Avoiding Burnout

Burnout occurs when an individual is subject to excessive physical or mental exhaustion as a result of constant stress. Symptoms include changes in attitude toward work and workplace, lack of trust in the management and colleagues, inability to concentrate, increased anger, tension, and isolation from clients and from colleagues. It is imperative for an organization to identify and eliminate the stress-causing factors before it leads to burnout.

Check Your Progress-4

13. A mental health program to deal with mental illness of workers has to be designed for the benefit of the employees because these affect a firm's productivity and profit records. Several factors may have a bad impact on the mental health of the workers. Which of the following options will **not** have a bad impact on the mental health of workers?
 - a. Alcoholism
 - b. Low labor turnover
 - c. Poor human relationships
 - d. High accident rates
14. Job stress is caused by conditions in the workplace that negatively affect an individual's performance and/or the overall well-being of his/her body and mind. Which of the following is **not** a condition that causes job stress?
 - a. Demand for high performance by the management or the immediate supervisor
 - b. Not being aware of one's duties or what one is expected to do at work
 - c. Security at the workplace
 - d. Continuous advancement of technology and increased competition
15. While positive stress enhances an employee's performance, negative stress hampers it. Which of the following strategies can an organization take up to reduce negative stress?
 - i. Setting realistic goals
 - ii. Helping employees so that they do not have to participate in decision making
 - iii. Having an effective communication system

- iv. Conducting wellness programs
- v. Providing physical exercise facilities
- vi. Implementing effective time management techniques
 - a. All of the above
 - b. All except i
 - c. All except ii
 - d. All except v

13.7. Challenges in the Service Sector

Employees in the service sector (especially those in the IT and IT-enabled services) suffer from musculo-skeletal disorders (MSDs) due to excessive use of the mouse and the keyboard. The International Labor Organization has recognized MSDs as occupational diseases. These computer-related health issues are viewed with great concern in countries like the US, where companies have a formal ergonomics program focusing on MSDs at the workplace. The PC penetration rate is comparatively lower in India and so the number of injuries is less than that in the US. However, the issue is gaining importance as the number of computer-related disorders has been increasing in proportion to the rate of PC adoption in the country.

13.7.1 Importance of Ergonomics

The term ergonomics is derived from two Greek words, ‘ergon’ meaning work and ‘nomoi’ meaning natural laws. Ergonomics is concerned with the study of the relationship between people and their work environment. In an ergonomic workplace, tasks and tools are designed in a manner, which best suits an individual’s abilities and limitations, so as to ensure that people can do their jobs safely. Poor ergonomics might result in MSDs, cumulative trauma disorders, or repetitive strain injury.

In India, employers and employees are yet to realize the effects of badly-designed products and environment and the significance of ergonomics. The reasons for this may be the low PC penetration rate and also the cost involved in using ergonomically designed products, which is quite high. In addition, government laws and regulations on employee welfare and safety in India do not show any concern for the provision of ergonomically-designed office products, tools, and work environment.

Both employers and employees should be made aware of the fact that ergonomically-designed devices increase the level of efficiency, safety, productivity, and profitability, and reduce human error. It is important to

Management and Development of Human Resources

educate users on the need for ergonomically-designed devices, which can to some extent reduce the health problems, while working on a computer.

Activity: After attending a week-long seminar on ergonomics, the Managing Director of Future Perfect Ltd. (FPL) (an IT enabled services company) decided to educate the employees at all levels on the issue and implement the use of ergonomics in the company. What are the challenges in the sector to which FPL belonged, which necessitate the use of ergonomics? Discuss the concept and importance of ergonomics in this context.

Answer:

Check Your Progress-5

16. Ergonomics is essentially the study of _____.
- The safety measures at the workplace
 - The relationship between the employer and the employees
 - The relationship between people and their work environments
 - The limitations that people may have in doing their jobs
17. Identify the statements that hold true regarding ergonomics.
- It is concerned with the study of the relationship between people and their work environment.
 - Poor ergonomics might result in cumulative trauma disorders, lung cancer, mesothelioma, or repetitive strain injury.
 - In an ergonomic workplace, tasks and tools are designed in a manner, which best suits an individual's abilities and limitations, so as to ensure that people can do their jobs safely.
- Only i and ii
 - Only i and iii
 - Only ii and iii
 - i, ii, and iii

18. Repetitive strain injuries can be reduced by using _____.
- Ergonomic products
 - Low-cost products
 - Eco-friendly products
 - Poorly designed products

13.8. Summary

- Accident is a major cause for safety and health problems in workplaces. An accident may occur due to the callousness of the employer or inattentiveness of the employee, and at other times due to technical problems.
- Lack of education and training, human and technical errors, psychological problems, and occupational hazards and risks are the causes of most accidents at the workplace.
- In India, several statutory provisions (like the Factories Act) provide for safe working conditions for workers. However, it is the moral responsibility of the management of every organization to implement effective safety and health programs at the workplace.
- Every organization should have in place a safety and health policy, which has to fulfill certain prerequisites. Certain steps need to be followed in order to prevent accidents at the workplace. Some of these are: educating and training the employees, frequent inspections by the top management, tabulating and analyzing the causes for accidents, conducting regular employee wellness programs, designing a mental health program, making the right start and sustaining it, and taking enforcement and disciplinary action.
- Occupational stress is a major cause for health problems in the workplace. Insecurity at the workplace, unrealistic expectations, continuous advancements in technology, increased competition, etc., are some causes of stress. Burnout is a situation of extreme stress.
- Ergonomically-designed devices increase the level of efficiency, safety, productivity, and profitability, and reduce human error.

13.9. Glossary

- **Accident:** The Factories Act, 1948, defines accident as “an occurrence in an industrial establishment causing bodily injury to a person, which makes him unfit to resume his duties in the next 48 hours”. An accident is not anticipated or designed. It occurs due to the callousness of the employer, inattentiveness of the employee, and/or due to technical problems.

Management and Development of Human Resources

- **Burnout:** Occurs when an individual is subject to excessive physical or mental exhaustion as a result of constant stress. Symptoms include changes in attitude toward work and workplace, lack of trust in the management and colleagues, inability to concentrate, increased anger, tension, and isolation from clients and from colleagues.
- **Ergonomics:** It is derived from two Greek words, ‘ergon’ meaning work and ‘nomoi’ meaning natural laws. It is concerned with the study of the relationship between people and their work environment. Poor ergonomics might lead to MSDs, cumulative trauma disorders, or repetitive strain injury.
- **Musculo-skeletal disorders (MSDs):** Excessive use of the mouse and the keyboard leads to MSDs. The International Labor Organization has recognized MSDs as occupational diseases. Employees in the service sector, especially those in the IT and IT-enabled services suffer from these.

13.10. Self-Assessment Test

1. An organization cannot sustain itself for a long time, without a safe and healthy working environment. What are the possible causes of safety and health problems in organizations and what steps should be followed to prevent accidents at the workplace?
2. The effective implementation of safety and health programs at the workplace plays an important role in reducing workplace accidents. Explain the importance of safety and health programs in organizations and also enumerate the prerequisites for an effective safety and health policy.
3. Stress-relieving programs are being implemented by many organizations, mostly those in the banking and IT sector, so as to reduce the level of employee stress. What are the conditions in the workplace that lead to employee stress? Also explain the impact of stress on the performance of the employees.
4. Ergonomically-designed devices increase the level of efficiency, safety, productivity and profitability, and reduce human error. Explain the concept of ergonomics and its importance in organizations.

13.11. Suggested Readings/Reference Material

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13.12. Answers to Check Your Progress Questions

Following are the answers to the Check Your Progress questions given in the Unit.

1. (b) Factories Act, 1948

The Factories Act, 1948, describes an accident as “an occurrence in an industrial establishment causing bodily injury to a person, which makes him unfit to resume his duties in the next 48 hours”.

2. (d) Absence of proper legislation

An organization cannot sustain itself for a long time, without a safe and healthy working environment. An unsafe working atmosphere results in accidents, causing harm to employees' health and wellbeing. Possible causes for accidents are: Lack of education and training; human errors; technical errors, psychological problems, and occupational hazards and risks.

3. (a) 'Accident prone' employees

Some employees tend to make mistakes often due to carelessness and/or other reasons. These employees are known as 'accident prone' employees. They should be identified and be transferred to a safer workplace, so that they do not cause harm to themselves and to other employees.

4. (d) Technical

Accidents, which take place as a result of defects in the machinery at the workplace, are attributed to technical errors.

5. (b) Stress

The environmental hazards of improper safety measures are noise, radiation, and improper atmospheric condition. Stress can be a result of personal or professional problems.

6. (b) Asbestos

Asbestos is the largest known cause of occupational diseases.

7. (c) Market share of the company's product

For implementing an effective safety and health program, an organization should formulate a safety and health policy and convey it to all the employees. This policy depends on the size of the plant, the nature of the industry, the production technology, and the attitude of the top management.

8. (d) i, ii, iii, and iv

In order to make the safety and health program successful, a company should educate and train its employees about the safety policy and its importance for the company; have a safety engineering process that includes designing of new products, processes and machines, structuring the layout of plants and equipments, etc.; appoint a safety director to ensure that the safety programs are progressing as per the set directions; conduct an organization-wide audit to ensure the implementation of the safety policy and strict adherence to all the safety rules; make safety and health an important part of the organizational culture; and have the support and guidance of the top management in the implementation of a safety policy.

9. (b) Safety training

Safety training is concerned with providing immediate job knowledge, skills and methods of work, besides instructing the employee about the course of his/her work in a particular department or a job and training him/her on how to prevent accidents and handle an accident situation, if it unfortunately occurs. All the employees should be made to understand the causes of accidents and how to handle materials effectively to avoid accidents.

10. (c) The personal data of all the employees in the organization

The items which were contained in this accident report are the date, time, and day on which the accident occurred, the cause of the accident, the intensity of the accident and its future effect on the employees, and the personal data of the employees involved in the accident (and **not** the personal data of all the employees in the organization).

11. (c) Selection

A well-organized health program starts from the selection stage itself, that is, before the potential employee, becomes a part of an organization. For this purpose, it is important to conduct a pre-placement physical examination of employees, to ensure they are physically fit, to perform the job effectively.

12. (c) Excessive holidays should be provided which will foster productivity levels.

Adequate provision of holidays and leave with pay to industrial workers can help in reducing absenteeism, stress, and labor turnover. At the same time, the provision of excessive holidays is likely to hinder production and increase the financial burden on the organization.

13. (b) Low labor turnover

The factors which may have a bad impact on the mental health of the workers and adversely affect even sincere and effective workers are alcoholism, poor human relationships, high accident rates, and **high** labor turnover.

14. (c) Security at the workplace

The factors which lead to stress at the workplace are demand for high performance by the management or the immediate supervisor, not being aware of one's duties or what one is expected to do at work, continuous advancement of technology, increased competition, and **insecurity** at the workplace.

15. (c) All except ii

An organization can take up a number of strategies to reduce negative stress. These include setting realistic goals, encouraging employees to participate in decision making, having an effective communication system, and conducting wellness programs. Effective time management techniques, physical exercises, relaxation techniques and counseling also help in reducing negative stress.

16. (c) The relationship between people and their work environments

Ergonomics is the study of the relationship between people and their work environments. In an ergonomic workplace, tasks and tools are designed to fit individual capabilities and limitations, so that people can do their jobs without being injured.

17. (d) Only i and iii

Ergonomics is concerned with the study of the relationship between people and their work environment. Poor ergonomics might result in MSDs, cumulative trauma disorders, or repetitive strain injury. Diseases like asbestosis, lung cancer, and mesothelioma are caused due to occupational hazards and risks.

18. (a) Ergonomic products

Ergonomic designs lead to higher efficiency, fewer human errors, higher safety, increased productivity and higher profits. In an ergonomic workplace, tasks and tools are designed to fit individual

Management and Development of Human Resources

capabilities and limitations so as to ensure that people can do their jobs without being injured. Low-cost products and eco-friendly products may not be ergonomic products in the sense that they may not be designed to fit individual capabilities and limitations.

Human Resource Management

Course Components

BLOCK I		Overview of Human Resource Management
Unit 1		Introduction to HRM
Unit 2		Organizational Structure and HRM
Unit 3		International Human Resource Management
BLOCK II		Employment of Human Resources
Unit 4		Human Resource Planning
Unit 5		Job Analysis and Design
Unit 6		Recruitment
Unit 7		Selection
Unit 8		Socialization
BLOCK III		Management and Development of Human Resources
Unit 9		Managing Careers
Unit 10		Performance Appraisal
Unit 11		Employee Training and Management Development
Unit 12		Compensation Management
Unit 13		Occupational Safety and Health
BLOCK IV		Employee Relations
Unit 14		Grievance Handling
Unit 15		Disciplinary Action
Unit 16		Trade Unions
Unit 17		Industrial Relations, Collective Bargaining, and Workers' Participation in Management
Unit 18		Quality of Work Life
Unit 19		Quality Circles
Unit 20		Emerging Challenges of HRM

